PIXLEY-KA-SEME DISTRICT MUNICIPALITY

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2014

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

General information

Members of the Council:

JZ Lolwana	Mayor
MT Kibi	Speaker
UR Itumeleng	Member
GL Nkumbi	Member
TA Sintu	Member
NS Thomas	Member
KJ Arens	Member
ME Bitterbos	Member
WJ du Plessis	Member
A Fritz	Member
JH George	Member
J Grobbelaar	Member
DP Jason	Member
P Louw	Member
EL Schultz	Member
PN Signeur	Member
LC van Niekerk	Member
FM van Wyk	Member

Municipal Manager:	RE Pieterse
Chief Financial Officer:	BF James
Grading of Local Authority:	Grade 3
Auditors:	Auditor-General
Bankers:	ABSA Bank Limited
Registered Office:	Culvert Road De Aar 7000
Physical address:	Culvert Road De Aar 7000
Postal address:	Private Bag X1012 De Aar 7000
Telephone number:	(053) 632 0891
Fax number:	(053) 631 2529

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 68, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: RE Pieterse

31 August 2014

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Pixley-ka-Seme District Municipality at 30 June 2014.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011/12 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2014 indicates an increase in Net Assets, and an increase in both Non-current Liabilities and Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The increase in Current Liabilities is primarily as a result of the increase in Creditors and Unspent Conditional Grants.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2014	2013
Surplus / (Deficit) before Appropriations	(1,668,987)	(5,010,729)
Surplus / (Deficit) at the end of the Year	(6,614,397)	(4,945,410)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	47.85%	52.03%
Remuneration of Councillors	6.65%	7.18%
Depreciation and Amortisation	4.25%	4.62%
Impairment Losses	0.93%	0.18%
Repairs and Maintenance	0.80%	0.95%
Interest Paid	2.56%	1.51%
Contracted Services	15.23%	10.95%
Grants and Subsidies Paid	21.35%	21.89%
General Expenses	0.04%	0.00%
Loss on Disposal of Property, Plant and Equipment	0.00%	0.00%

2.2 Performance Indicators:

INDICATOR	2014	2013
Borrowing Management:		
Capital Charges to Operating Expenditure	4.60%	3.34%
Capital Charges to Own Revenue	40.30%	44.95%
Borrowed Funding to Own Capital Expenditure	64.86%	0.00%
Borrowing to Total Capital Assets	0.00%	0.00%
Safety of Capital:		
Gearing	-32.85%	-49.81%
Liquidity:		
Current Ratio	0.46	0.85
Liquidity Ratio	0.35	0.82
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	6.20%	85.23%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	45.48%	0.00%
Revenue Management:		
Current Debtors Collection Rate	0.00%	0.00%
Outstanding Debtors to Revenue	0.00%	0.00%
Creditors Management:		
Creditors to Cash and Investments	208.21%	97.48%
Financial Viability:		
Debt Coverage	3.25	2.50
Outstanding Service Debtors to Revenue	0.00%	0.00%
Cost Coverage	-	-

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix E (1).

The services offered by Pixley-ka-Seme District Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2014 are as follows:

DETAILS	Actual 2014 R	Actual 2013 R	Percentage Variance %	Budgeted 2014 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	(5,458,091)	(2,664,926)	104.81%	-	0.00%
Operating income for the year	48,454,557	39,262,324	23.41%	-	0.00%
Appropriations for the year	46,155	96,750	-52.29%	-	0.00%
	43,042,621	**36,694,148**	**117.30%**	**-**	**0.00%**
Expenditure:					
Operating expenditure for the year	50,123,544	44,273,053	13.21%	-	0.00%
Sundry transfers	-	(2,120,814)	-100.00%	-	0.00%
Closing surplus / (deficit)	(7,080,922)	(5,458,091)	29.73%	-	0.00%
	43,042,621	**36,694,148**	**117.30%**	**-**	**0.00%**

3.1 General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below.The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2014 R	Actual 2013 R	Percentage Variance %	Budgeted 2014 R	Variance actual/ budgeted %
Income	48,454,557	39,262,324	23.41%	49,582,107	-2.27%
Expenditure	50,123,544	44,273,053	13.21%	49,898,176	0.45%
Surplus / (Deficit)	**(1,668,987)**	**(5,010,729)**	**-66.69%**	**(316,069)**	**428.05%**
Surplus / (Deficit) as % of total income	(3.44)%	(12.76)%		(0.64)%	

Variance from 2013 actual:
The increase in revenue of 23% is attributable to the increase in Government Grants and Subisies that realised during the year (through meeting the conditions). During the 2014 year, the Municipality obtained a new finance lease to finance computer equipment, which resulted in the increase in finance charges. This, together with an impairment provision for doubtful debtors (R450 000) and a legal case which was lost by the Municipality (R900 879) resulted in the 14% increase.

Variance from 2014 budget:
No material fluctuations were identified.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R1 345 371 (2013: R225 417). Full details of Assets are disclosed in Notes 6, 7, 8 and Appendices B, C and E (2) to the Annual Financial Statements.

The capital expenditure of R1,345,371 was financed as follows:

DETAILS	Actual 2014 R	Actual 2013 R	Percentage Variance %	Budgeted 2014 R	Variance actual/ budgeted %
Capital Replacement Reserve	-	-	0.00%	-	0%
External Loans	-	-	0.00%	-	0%
Finance Leases	359,649	-	100.00%	359,650	100%
Grants and Subsidies	790,842	-	0.00%	790,850	100%
Public Contributions	-	-	0.00%	-	0%
Own Funds (Accumulated Surplus)	985,722	225,417	437.29%	194,500	100%
	1,345,371	**225,417**	**-**	**1,345,000**	**-**

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2014	2013
Capital Replacement Reserve	0.00%	0.00%
External Loans	0.00%	0.00%
Finance Leases	26.73%	0.00%
Grants and Subsidies	58.78%	0.00%
Public Contributions	0.00%	0.00%
Own Funds (Accumulated Surplus)	73.27%	100.00%
	100.00%	**100.00%**

Capital Assets are funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2014	2013
Variance per Category:		
Budgeted surplus before appropriations	(316,069)	(300,692)
Revenue variances	(1,127,550)	(5,810,764)
Expenditure variances:		
Employee Related Costs	152,798	(940,185)
Remuneration of Councillors	1	(41,718)
Depreciation and Amortisation	1	11,741
Impairment Losses	(460,743)	155,790
Repairs and Maintenance	1,355	(4,605)
Interest Paid	(616,735)	(345,120)
Contracted Services	372,002	-
Grants and Subsidies Paid	10,814	(4,848,419)
General Expenses	334,356	7,420,227
Loss on disposal of Property, Plant and Equipment	(19,217)	(1,097)
Actual surplus before appropriations	**(1,668,987)**	**(4,704,844)**

DETAILS	2014
Variance per Service Segment:	
Budgeted surplus before appropriations	(361,486)
Administration	-
Finance	(1,490,027)
Development and Infrastructure	-
Environmental Health	-
Housing	-
Internal Audit	-
Council Expenses	-
Municipal Manager	-
I D P	-
Protection Services	-
Shared Services	-
Actual surplus before appropriations	**(1,851,513)**

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix E(1).

5.2 Capital Budget:

DETAILS	Actual 2014 R	Actual 2013 R	Variance actual 2014 R	Budgeted 2014 R	Variance actual/ budgeted R
Land & Buildings	790,842	-	790,842	790,850	(8)
Computer Equipment	83,469	221,513	(138,044)	87,561	(4,092)
	-	-	-	106,939	(106,939)
Machinery Equipment	45,143	3,904	41,239	-	45,143
Leased Assets	359,649	-	359,649	359,650	(1)
	1,279,103	**225,417**	**1,053,686**	**1,345,000**	**(65,897)**

Details of the results per segmental classification of capital expenditure are included in Appendix C, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix E(2).

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2014 amounted to R6 550 383 (2013: R4 945 410) and is made up as follows:

Capital Replacement Reserve	(466,525)
Accumulated Surplus	7,080,922
	6,614,397

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

Refer to Note 14 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2014 was R2 172 769 (2013: R2 463 239).

Loans to the amount of R359 649 (2013: R0) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 12 and Appendix A for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2014 was R14 577 415 (2013: R16 292 216).

This liability is in respect of continued Healh Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 13 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R10 323 550 as at 30 June 2014 (2013: R18 781 957) and is made up as follows:

Provisions	Note 9	1,114,524
Payables from Exchange Transactions	Note 10	7,462,052
Unspent Conditional Grants and Receipts	Note 11	1,189,131
Current Portion of Long-term Liabilities	Note 12	621,858
		10,387,565

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R13 041 237 as at 30 June 2014 (2013: R13 781 688).

Refer to Note 6 and Appendices B, C and E(2) for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R60 272 as at 30 June 2014 (2013: R122 046).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 7 and Appendix B for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R2 636 700 as at 30 June 2014 (2013: R2 636 700).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 8 and Appendix B for more detail.

13. CURRENT ASSETS

Current Assets amounted R4 785 142 as at 30 June 2014 (2013: R16 046 520) and is made up as follows:

Receivables from Exchange Transactions	Note 2	1,127,592
VAT Receivable	Note 3	64,057
Cash and Cash Equivalents	Note 4	3,583,875
Operating Lease Assets	Note 5	9,618
		4,785,142

The decrease in the amount for Current Assets is mainly due to the decreased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

14. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance day-to-day operating expenses.

Refer to Notes 11 and 15, and Appendix F for more detail.

REPORT OF THE CHIEF FINANCIAL OFFICER

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 45.

16. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER
31 August 2014

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

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PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Note	Actual 2014 R	2013 R
ASSETS			
Current Assets		**4,785,142**	**16,046,520**
Receivables from Exchange Transactions	**2**	1,127,592	375,243
VAT Receivable	**3**	64,057	175,492
Cash and Cash Equivalents	**4**	3,583,875	15,483,779
Current Portion of Operating Lease Receivables	**5**	9,618	12,007
Non-Current Assets		**15,738,209**	**16,545,481**
Property, Plant and Equipment	**6**	13,041,237	13,781,688
Intangible Assets	**7**	60,272	122,046
Investment Property	**8**	2,636,700	2,636,700
Operating Lease Receivables	**5**	-	5,046
Total Assets		**20,523,351**	**32,592,001**
LIABILITIES			
Current Liabilities		**10,387,565**	**18,781,957**
Provisions	**9**	1,114,524	-
Payables from Exchange Transactions	**10**	7,462,052	15,093,767
Unspent Conditional Grants and Receipts	**11**	1,189,131	2,694,161
Current Portion of Long-term Liabilities	**12**	621,858	994,029
Non-Current Liabilities		**16,750,184**	**18,755,455**
Long-term Liabilities	**12**	2,172,769	2,463,239
Employee Benefits	**13**	14,577,415	16,292,216
Total Liabilities		**27,137,749**	**37,537,412**
Total Assets and Liabilities		**(6,614,398)**	**(4,945,411)**
NET ASSETS		**(6,614,397)**	**(4,945,410)**
Accumulated Surplus / (Deficit)	**14**	(6,614,397)	(4,945,410)
Total Net Assets		**(6,614,397)**	**(4,945,410)**

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF FINANICAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2014

	Note	Actual 2014 R	2013 R
REVENUE			
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	**15**	42,684,749	35,888,727
Public Contributions and Donations	**16**	50,000	79,500
Revenue from Exchange Transactions			
Rental of Facilities and Equipment		163,715	155,323
Interest Earned - External Investments	**18**	736,846	506,237
Other Revenue	**19**	4,819,247	2,632,537
Other Gains and Losses		-	-
Total Revenue		**48,454,557**	**39,262,324**
EXPENDITURE			
Employee Related Costs	**20**	23,981,628	23,033,085
Remuneration of Councillors	**21**	3,335,616	3,177,718
Contracted Services		175,161	305,885
Depreciation and Amortisation	**22**	2,128,379	2,046,259
Impairment Losses	**23**	466,621	79,210
Repairs and Maintenance		399,226	421,105
Finance Costs	**24**	1,282,866	669,120
Grants and Subsidies Paid	**25**	7,635,186	4,848,419
General Expenses	**26**	10,699,644	9,691,153
Loss on Disposal of Property, Plant and Equipment		19,217	1,097
Total Expenditure		**50,123,544**	**44,273,053**
SURPLUS / (DEFICIT) FOR THE YEAR		**(1,668,987)**	**(5,010,729)**

Refer to Appendix E(1) for explanation of budget variances

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

Description	Accumulated Surplus / (Deficit) Accoun		Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R
2013				
Balance at 1 July 2012	682,837	(2,664,926)	(1,982,090)	(1,982,090)
Change in Accounting Policy (Note 28)		-	-	-
Correction of Error (Note 29)	-	2,120,814	2,120,814	2,120,814
Restated Balance	**682,837**	**(544,112)**	**138,724**	**138,724**
Surplus / (Deficit) for the year	-	(5,010,729)	(5,010,729)	(5,010,729)
Net gains / (losses) not recognised in the Statement of Financial Performance	-	96,750	96,750	96,750
Interest allocated to Funds and Reserves	18,434	-	18,434	18,434
Donated / Contributed PPE	(188,590)	-	(188,590)	(188,590)
Balance at 30 June 2013	**512,680**	**(5,458,091)**	**(4,945,410)**	**(4,945,410)**
2014				
Balance at 1 July 2013	**512,680**	**(5,458,091)**	**(4,945,410)**	**(4,945,410)**
Surplus / (Deficit) for the year	-	(1,668,987)	(1,668,987)	(1,668,987)
Interest allocated to Funds and Reserves	15,401	(15,401)	-	-
Donated / Contributed PPE	(61,556)	61,556	-	-
Balance at 30 June 2014	**466,525**	**(7,080,922)**	**(6,614,397)**	**(6,614,397)**

Details on the movement of the Funds and Reserves are set out in Note 14.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2014 R	2013 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Government Grant and Subsidies		41,179,719	32,632,201
Public Contributions and Donations		50,000	79,500
Interest Received		736,846	506,237
Other Receipts		3,882,861	3,063,710
Payments			
Employee Related Costs		(24,592,263)	(22,643,075)
Remuneration of Councillors		(3,335,616)	(3,177,718)
Interest Paid		(1,282,866)	(669,120)
Suppliers Paid		(26,530,573)	(2,925,704)
Other Payments		-	(73,406)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**31**	**(9,891,892)**	**6,792,624**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**6**	(1,345,371)	(196,020)
Purchase of Intangible Assets	**7**	-	(29,397)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(1,345,371)**	**(225,417)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	**12**	359,649	-
Repayment of Borrowings	**12**	(1,022,291)	(811,585)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(662,641)**	**(811,585)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(11,899,904)**	**5,755,623**
Cash and Cash Equivalents at Beginning of Period	**4**	15,483,779	9,728,156
Cash and Cash Equivalents at End of Period	**4**	3,583,875	15,483,779

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014

	2013/2014										
Description	**Original Total Budget**	**Budget Adjustments**	**Final Adjustmens Budget**	**Shifting of funds**	**Virement**	**Final Budget**	**Actual Outcome**	**Unauthorised Expenditure**	**Variance**	**Actual Outcome as % of Final Budget**	**Actual Outcome as % of Original Budget**
	R	**R**			**R**	**R**	**R**	**R**	**R**	**R**	**R**
FINANCIAL POSITION											
Current Assets											
Receivables from Exchange Transactions	-	1,379,000	-	-	-	1,379,000	1,127,592	-	(251,408)	-18%	100%
VAT Receivable	-	-	-	-	-	-	64,057	-	64,057	100%	100%
Cash and Cash Equivalents	9,690,000	(6,406,000)	-	-	-	3,284,000	3,583,875	-	299,875	9%	3%
Operating Lease Receivables	-	10,000	-	-	-	10,000	9,618	-	(382)	-4%	100%
Non-Current Assets											
Property, Plant and Equipment	15,633,000	(2,291,000)	-	-	-	13,342,000	13,041,237	-	(300,763)	-2%	-2%
Intangible Assets	-	60,000	-	-	-	60,000	60,272	-	272	0%	100%
Investment Property	-	1,841,000	-	-	-	1,841,000	2,636,700	-	795,700	43%	100%
Operating Lease Receivables	-	-	-	-	-	-	-	-	-	0%	0%
Total Assets	**25,323,000**	**(5,407,000)**	**-**	**-**	**-**	**19,916,000**	**20,523,351**	**-**	**607,351**		
Current Liabilities											
Provisions	-	1,115,000	-	-	-	1,115,000	1,114,524	-	(476)	0%	100%
Payables	-	8,597,000	-	-	-	8,597,000	7,462,052	-	(1,134,948)	-13%	100%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	1,189,131	-	1,189,131	100%	100%
Current Portion of Long-term Liabilities	570,000	4,723,000	-	-	-	5,293,000	621,858	-	(4,671,142)	-88%	-819%
Non-Current Liabilities											
Long-term Liabilities	2,313,000	140,000	-	-	-	2,453,000	2,172,769	-	(280,231)	-11%	-12%
Retirement Benefit Liabilities	-	14,577,000	-	-	-	14,577,000	14,577,415	-	415	0%	100%
Total Liabilities	**2,883,000**	**29,152,000**	**-**	**-**	**-**	**32,035,000**	**27,137,749**	**-**	**(4,897,251)**		
Total Assets and Liabilities	**22,440,000**	**(34,559,000)**	**-**	**-**	**-**	**(12,119,000)**	**(6,614,398)**	**-**	**5,504,602**		
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	22,440,000	(34,559,000)	-	-	-	(12,119,000)	(6,614,397)	-	5,504,603	-45%	25%
Total Net Assets	**22,440,000**	**(34,559,000)**	**-**	**-**	**-**	**(12,119,000)**	**(6,614,397)**	**-**	**5,504,603**		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014

	2013/2014										
Description	**Original Total Budget**	**Budget Adjustments**	**Final Adjustmens Budget**	**Shifting of funds**	**Virement**	**Final Budget**	**Actual Outcome**	**Unauthorised Expenditure**	**Variance**	**Actual Outcome as % of Final Budget**	**Actual Outcome as % of Original Budget**
	R	R			R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	34,165,000	8,605,810	-	-	-	42,770,810	42,684,749	-	(86,061)	0%	0%
Donations Received	-	-	-	-	-	-	50,000	-	50,000	100%	100%
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	158,000	5,715	-	-	-	163,715	163,715	-	-	0%	0%
Interest Earned - External Investments	150,000	436,196	-	-	-	586,196	736,846	-	150,650	26%	100%
Other Income	3,600,000	2,461,386	-	-	-	6,061,386	4,819,247	-	(1,242,139)	-20%	-35%
Total Revenue	**38,073,000**	**11,509,107**	**-**	**-**	**-**	**49,582,107**	**48,454,557**	**-**	**(1,127,550)**		
Expenditure											
Employee Related Costs	23,899,000	235,426	-	-	-	24,134,426	23,981,628	-	(152,798)	-1%	-1%
Remuneration of Councillors	3,392,280	(56,663)	-	-	-	3,335,617	3,335,616	-	(1)	0%	0%
Contracted Services	950,000	(402,837)	-	-	-	547,163	175,161	-	(372,002)	-68%	-39%
Depreciation and Amortisation	1,562,000	566,380	-	-	-	2,128,380	2,128,379	-	(1)	0%	0%
Impairment Losses	1,350,000	(1,344,122)	-	-	-	5,878	466,621	-	460,743	7838%	34%
Repairs and Maintenance	350,000	50,581	-	-	-	400,581	399,226	-	(1,355)	0%	0%
Finance Costs	271,853	394,278	-	-	-	666,131	1,282,866	-	616,735	93%	227%
Grants and Subsidies Paid	-	7,646,000	-	-	-	7,646,000	7,635,186	41,000	(10,814)	0%	100%
General Expenses	7,509,000	3,525,000	-	-	-	11,034,000	10,699,644	1,517,622	(334,356)	-3%	-4%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	19,217	-	19,217	100%	100%
Total Expenditure	**39,284,133**	**10,614,043**	**-**	**-**	**-**	**49,898,176**	**50,123,544**	**1,558,622**	**225,368**		
Surplus/(Deficit)	(1,211,133)	895,064	-		-	(316,069)	(1,668,987)	(1,558,622)	(1,352,918)	428%	112%
Transfers Recognised - Capital	-	-	-		-	-	-	-	-	0%	0%
Contributions Recognised - Capital and Contributed Assets	-	-	-		-		-	-	-	0%	0%
Surplus/(Deficit for the Year	**(1,211,133)**	**895,064**	**-**	**-**	**-**	**(316,069)**	**(1,668,987)**	**(1,558,622)**	**(1,352,918)**		
CAPITAL EXPENDITURE PER FUNCTION											
Finance	350,000	995,000	-	-	-	1,345,000	1,279,103	-	(65,897)	-5%	-19%
Total Sources of Capital Funds	**350,000**	**995,000**	**-**	**-**	**-**	**1,345,000**	**1,279,103**	**-**	**(65,897)**		

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014

	2013/2014										
Description	**Original Total Budget**	**Budget Adjustments**	**Final Adjustmens Budget**	**Shifting of funds**	**Virement**	**Final Budget**	**Actual Outcome**	**Unauthorised Expenditure**	**Variance**	**Actual Outcome as % of Final Budget**	**Actual Outcome as % of Original Budget**
	R	**R**			**R**	**R**	**R**	**R**	**R**	**R**	**R**
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Grants	34,609,000	8,605,810	-	-	-	43,214,810	41,179,719	-	(2,035,091)	-5%	-6%
Public Contributions and Donations	-	-	-	-	-	-	50,000	-	50,000	100%	100%
Interest Received	150,000	436,196	-	-	-	586,196	736,846	-	150,650	26%	100%
Other Receipts	1,920,000	2,467,101	-	-	-	4,387,101	3,882,861	-	(504,240)	-11%	-26%
Employee Related Costs	(32,865,627)	(16,902,292)	-	-	-	(49,767,919)	(24,592,263)	-	25,175,656	-51%	-77%
Remuneration of Councillors	-	-	-	-	-	-	(3,335,616)	-	(3,335,616)	100%	100%
Interest Paid	(271,853)	(394,278)	-	-	-	(666,131)	(1,282,866)	-	(616,735)	93%	227%
Suppliers Paid	-	(7,645,957)	-	-	-	(7,645,957)	(26,530,573)	-	(18,884,616)	247%	100%
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(350,000)	(995,380)	-	-	-	(1,345,380)	(1,345,371)	-	9	0%	0%
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	0%	0%
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	359,649	-	-	-	359,649	359,649	-	0	0%	100%
Loans repaid	(516,924)	(505,376)	-	-	-	(1,022,300)	(1,022,291)	-	9	0%	0%
Cash and Cash Equivalents at End of the Year	**2,674,596**	**(14,574,527)**	**-**	**-**	**-**	**(11,899,931)**	**(11,899,904)**	**-**	**27**		

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

In the current year a provision of R450 000 was made for share services invoiced to local municipalities within the district and R10 744 in respect to an overpayment made to an ex-employee. This resulted in the fluctuation against the adjusted budgeted figure.

VAT Receivable:

Management did not budget for a VAT Receivable at yearend, as the expectation was that the VAT would be fully settled at yearend. At 30 June 2014 a VAT Receivable existed due to the June 2014 VAT return, which was submitted but not yet settled by the SOuth African Revenue Services.

Payables:

The fluctuation of R1 182 418 is attributable to the Ouboks and Kareeberg Housing project which was budgeted for as 'Unspent Conditional Grants', but was classified as Payables due to the nature of the agreement.

Unspent Conditional Grants and Receipts:

Please see the reason included in 'Payables'.

Current Portion of Long-term Liabilities:

The budgeted loans did not realise. This resulted in the material fluctuation when compared to the actual amount. Currently, the municipality has finance leases and one (1) annuity loan payable to DBSA.

Accumulated Surplus / (Deficit):

The fluctuation is the result of prior period adjustments made to the 2012/2013 figure than has impacted on the opening balance of the surplus account in the 2013/2014 financial year.

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014

	2013/2014										
Description	Original Total Budget	Budget Adjustments	Final Adjustmens Budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R			R	R	R	R	R	R	R
Financial Performance: Explanation of Variances between Approved Budget and Actual											
For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, are as follow:											
Public Contributions and Donations											
R50 000 was donated by the Office of the Premier for a speficic purpose / event, which took place during the financial year. Management did not budget for this revenue and therefore the fluctuation.											
Other Receipts											
The expected budgeted income for the year did not realise.											
Contracted Services											
The municipality entered into contracts with service providers. These functions were not finalised in the 2013/2014 financial year, and will continue during the 2014/2015 financial year.											
Impairment Losses											
As explained in the 'Receivables from Exchange Transactions', the municiplaity provided for R450 000 at yearend which relates to shares services (provided to certain municipalities within the district) and R10 744 which related to overpayments made to an ex-											
Finance Cost											
In the current financial year, the municipality received a judgement againt them (which was previously disclosed as a contingenet liability). This liability was provided for in the current year, including the accumulated effect of the finance costs.											
Loss on Disposal of Property, Plant and Equipment											
Management did not provide for any losses to be incurred during the disposal of Property, Plant and Equipment.											
Capital Expendirure per Function: Explanation of Variances between Approved Budget and Actual											
For reasons for Variances greater than 10% between Approved Budget and Actual Amount, are as follow:											
No material fluctation in the total actual versus budgeted spending occurred.											
Cash Flow: Explanation of Variances between Approved Budget and Actual											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
Although material fluctuations are noticed within the financial statement line items, these are attributable to reclassifications between the budget and the Annual Financial Statement's presentation. Overall, no material fluctuation was identified.											

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes In Accounting Policy And Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2014 and 30 June 2013, the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an Accounting Policy only in the following instances:
(a) if it is required by a Standard of GRAP; or
(b) when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations And Assumptions

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 8.2 on *Revenue from Exchange Transactions* and Accounting Policy 8.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 7.1 on *Financial Assets Classification* and Accounting Policy 7.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1. BASIS OF PRESENTATION (continued)

1.2.3 Impairment of Financial Assets

Accounting Policy 7.4 on *Impairment of Financial Assets* describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions is disclosed in note 2 to the AFS.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

As described in Accounting Policies 3.3, 4.2 and 5.2 the municipality depreciates its property, plant and equipment and investment property, and amortises it's intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write down of Property, Plant and Equipment, Investment property and Intangible assets

Accounting Policy 6 on *Impairment of assets* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing and Intangible assets impairment testing.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 6 to the AFS, whilst no impairments were made to intangible assets.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 10, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 13 to the Annual Financial Statements.

1.2.8 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. BASIS OF PRESENTATION (continued)

1.6 Standards, Amendments To Standards And Interpretations Issued But Not Yet Effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 20 Related Party Disclosures (Revised)
GRAP 32 Service Concession Arrangement Grantor
GRAP 105 Transfers between entities under common control - issued November 2010
GRAP 106 Transfers between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010
GRAP 108 Statutory Receivables

The Minister of Finance announced that the application of GRAP 25 for period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:
Related Parties - GRAP 20

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. NETT ASSETS

Included in the nett assets of the municipality, are the following reserves that are maintained in terms of specific requirements:

2.1 Other Reserves forming part of Accumulated surplus

The Municipality creates and maintains reserves which form part of the Accumulated Surplus in terms of specific requirements.

2.1.1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.
The following provisions are set for the creation and utilisation of the CRR:
• The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
• The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
• Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
• If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years
Buildings	***30 - 100***
Other	
Specialist Vehicles	5 - 20
Other Vehicles	5 - 10
Office Equipment	3 - 7
Furniture and Fittings	7 - 10

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3.7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4. INTANGIBLE ASSETS (continued)

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in the Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in the Statement of Financial Performance.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	**Years**
Software	3

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, as per Accounting Policy 8: *Impairment of assets*. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The municipality changed its accounting policy from GRAP 102 to GRAP 31 with no effect on the financial information disclosed previously.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);

5. INVESTMENT PROPERTY (continued)

- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality);
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties; and
- Property that is being constructed or developed for future use as investment property;

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

5.3 Derecognition

An investment property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

6.1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

6. IMPAIRMENT OF ASSETS (continued)

6.2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

(i) to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

7. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

7.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:
- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

7. FINANCIAL INSTRUMENTS (continued)

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:
(a) derivatives;
(b) combined instruments that are designated at fair value
(c) instruments held for trading.
(d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
(e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Bank Balances and Cash	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

7.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities* , the classification determining how they are measured. Financial liabilities may be measured at:

(i) Financial liabilities measured ar fair value or
(ii) Financial liabilities measured at amortised cost
(iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

7. FINANCIAL INSTRUMENTS (continued)

7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

7.3.2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

7.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompassess long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

7. FINANCIAL INSTRUMENTS (continued)

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

7.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

7.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

8. REVENUE RECOGNITION

8.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

8. REVENUE RECOGNITION (continued)

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

8.2 Revenue from Exchange Transactions

8.2.1 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:
▪ Interest earned on trust funds is allocated directly to the fund.
▪ Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

8.2.2 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

8.2.3 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

8.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.
A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

8.3.1 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

8.3.2 Revenue From Recovery Of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

9. PROVISIONS

Provisions for legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

10. EMPLOYEE BENEFITS

10.1 Short-Term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

10.2 Post-Employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

10.2.1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

10.2.2 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

10. EMPLOYEE BENEFITS (continued)

10.3 Post-Retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

10.4 Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

The municipality changed its accounting policy from IAS 19 to GRAP 25 with no effect on the financial information disclosed previously.

11. LEASES

Lease Classification
Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

11.1 The Municipality As Lessee

Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

11. LEASES (continued)

Operating leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

11.2 The Municipality As Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

11.3 Determining Whether An Arrangement Contains A Lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

12. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

13. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

14. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 28 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 29 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The municipality changed its accounting policy from IPSAS 20 to GRAP 20 with no effect on the financial information disclosed previously.

20. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

21. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

21. FOREIGN CURRENCIES (continued)

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

22. COMPARATIVE INFORMATION

23.1 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

23.2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2013 to 30 June 2014.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

24. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

25. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

25. CAPITAL COMMITMENTS (continued)

Capital commitments are not recognised in the Statement of Financial Position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

	2014 R	2013 R

1. GENERAL INFORMATION

Pixley-ka-Seme District Municipality (the municipality) is a local government institution in De Aar, Northern Cape Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Other Receivables	1,588,336	(460,744)	1,127,592
Property Rental Debtors	32,936	-	32,936
Shared Services	450,000	(450,000)	-
Sundry Debtors	1,105,400	(10,744)	1,094,656
Total Receivables from Exchange Transactions	**1,588,336**	**(460,744)**	**1,127,592**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Other Receivables	375,243	-	375,243
Property Rental Debtors	2,594	-	2,594
Shared Services	150,000	-	150,000
Sundry Debtors	222,649	-	222,649
Total Receivables from Exchange Transactions	**375,243**	**-**	**375,243**

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

Other Receivables include outstanding debtors for various other services, e.g. Shared Services, Medical Aid Receivables and Property Rental.

At 30 June 2014, the municipality is owed R482 738 by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

2.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rental Debtors:					
Gross Balances	14,762	11,970	620	5,583	32,936
Less: Provision for Impairment	-	-	-	-	-
Total	**14,762**	**11,970**	**620**	**5,583**	**32,936**
Shared Services:					
Gross Balances	-	-	-	450,000	450,000
Less: Provision for Impairment	-	-	-	(450,000)	(450,000)
Total	**-**	**-**	**-**	**-**	**-**
Sundry Debtors:					
Gross Balances	1,094,624	-	-	10,776	1,105,400
Less: Provision for Impairment	(10,744)	-	-	-	(10,744)
Total	**1,083,880**	**-**	**-**	**10,776**	**1,094,656**
Net Balances	**1,098,642**	**11,970**	**620**	**16,360**	**1,127,592**

	2014 R	2013 R

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

As at 30 June Receivables of R28 950 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	11,970	620	466,360	478,950
Less: Provision for Impairment	-	-	(450,000)	(450,000)
Net Balances	**11,970**	**620**	**16,360**	**28,950**

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rental Debtors:					
Gross Balances	2,594	-	-	-	2,594
Less: Provision for Impairment	-	-	-	-	-
Total	**2,594**	**-**	**-**	**-**	**2,594**
Shared Services:					
Gross Balances				150,000	150,000
Less: Provision for Impairment					-
Total	**-**	**-**	**-**	**150,000**	**150,000**
Sundry Debtors:					
Gross Balances	198,526	-	-	24,123	222,649
Less: Provision for Impairment	-	-	-	-	-
Total	**198,526**	**-**	**-**	**24,123**	**222,649**
Net Balances	**201,120**	**-**	**-**	**174,123**	**375,243**

As at 30 June Receivables of R174 123 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	-	-	174,123	174,123
Less: Provision for Impairment	-	-	-	-
Net Balances	**-**	**-**	**174,123**	**174,123**

2.2 Reconciliation of the Provision for Impairment

Balance at beginning of year	-	(524,992)
Impairment Losses recognised	(461,827)	(63,734)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	1,084	588,726
Amounts recovered	-	-
Balance at end of year	**(460,744)**	**-**

2.3 Ageing of impaired Receivables from Exchange Transactions

Current:		
0 - 30 Days	-	-
Past Due:		
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	450,000	-
Total	**450,000**	**-**

2.4 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

	2014 R	2013 R

3. VAT RECEIVABLE

VAT Receivable	**64,057**	**175,492**

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

4. CASH AND CASH EQUIVALENTS

Current Investments	3,270,631	15,410,211
Bank Accounts	313,244	73,567
Total Bank, Cash and Cash Equivalents	**3,583,875**	**15,483,779**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

4.1 Current Investment Deposits

Term Deposits	459,393	512,680
Call Deposits	2,811,238	14,897,531
Total Current Investment Deposits	**3,270,631**	**15,410,211**

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10 % to 5.75 % (2013: 5% to 7.50%) per annum.

Term Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5.54% to 5.68% (2013: 5.40% to 6.53%) per annum.

Deposits attributable to Unspent Conditional Grants	478,043	13,239,309
Total Deposits attributable to Commitments of the Municipality	**478,043**	**13,239,309**

Deposits of R478 043 (2013: R13 239 309) are ring-fenced and attributable to Unspent Conditional Grants.

Deposits of R458 207 (2013: R512 680) are ring-fenced and attributable to the Capital Replacement Reserve.

4.2 Bank Accounts

Cash in Bank	313,244	73,567
Bank Overdraft	-	-
Total Bank Accounts	**313,244**	**73,567**

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0197		
Cash book balance at beginning of year	73,567	38,277
Cash book balance at end of year	313,244	73,567
Bank statement balance at beginning of year	235,340	174,951
Bank statement balance at end of year	-	235,340

Term Deposits

	2014 R	2013 R
4. CASH AND CASH EQUIVALENTS (continued)		
ABSA Bank Limited - De Aar Branch - Term Deposit Number 605 438 4570		
Cash book balance at beginning of year	512,680	682,837
Cash book balance at end of year	459,393	512,680
Bank statement balance at beginning of year	512,680	682,837
Bank statement balance at end of year	459,393	512,680
Call Deposits		
ABSA Bank Limited - De Aar Branch - Call Deposit Number 912 285 3831		
Cash book balance at beginning of year	9,719	9,702
Cash book balance at end of year	9,669	9,719
Bank statement balance at beginning of year	9,719	9,702
Bank statement balance at end of year	9,669	9,719
ABSA Bank Limited - De Aar Branch - Call Deposit Number 926 938 9573		
Cash book balance at beginning of year	2,081,649	5,823,838
Cash book balance at end of year	206,740	2,081,649
Bank statement balance at beginning of year	2,081,649	5,823,838
Bank statement balance at end of year	206,740	2,081,649
ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 463 4894		
Cash book balance at beginning of year	1,224	441,667
Cash book balance at end of year	1,402	1,224
Bank statement balance at beginning of year	1,224	441,667
Bank statement balance at end of year	1,402	1,224
ABSA Bank Limited - De Aar Branch - Call Deposit Number 912 355 2505		
Cash book balance at beginning of year	1,658,221	2,609,850
Cash book balance at end of year	2,333,195	1,658,221
Bank statement balance at beginning of year	1,658,221	2,609,850
Bank statement balance at end of year	2,333,195	1,658,221
ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 538 6731		
Cash book balance at beginning of year	1,363	-
Cash book balance at end of year	1,489	1,363
Bank statement balance at beginning of year	1,363	-
Bank statement balance at end of year	1,489	1,363
ABSA Bank Limited - De Aar Branch - Call Deposit Number 927 638 8425		
Cash book balance at beginning of year	1,313	-
Cash book balance at end of year	1,298	1,313
Bank statement balance at beginning of year	1,313	-
Bank statement balance at end of year	1,298	1,313
ABSA Bank Limited - De Aar Branch - Call Deposit Number 920 649 9543		
Cash book balance at beginning of year	9,932	-
Cash book balance at end of year	11,484	9,932
Bank statement balance at beginning of year	9,932	-
Bank statement balance at end of year	11,484	9,932
ABSA Bank Limited - De Aar Branch - Call Deposit Number 917 755 5141		
Cash book balance at beginning of year	6,776	117,146
Cash book balance at end of year	-	6,776
Bank statement balance at beginning of year	6,776	117,146
Bank statement balance at end of year	-	6,776

	2014 R	2013 R
4. CASH AND CASH EQUIVALENTS (continued)		
ABSA Bank Limited - De Aar Branch - Call Deposit Number 928 495 2305		
Cash book balance at beginning of year	92,546	-
Cash book balance at end of year	8,755	92,546
Bank statement balance at beginning of year	92,546	-
Bank statement balance at end of year	8,755	92,546
ABSA Bank Limited - De Aar Branch - Call Deposit Number 928 451 0400		
Cash book balance at beginning of year	1,177	-
Cash book balance at end of year	42,712	1,177
Bank statement balance at beginning of year	1,177	-
Bank statement balance at end of year	42,712	1,177
ABSA Bank Limited - De Aar Branch - Call Deposit Number 919 945 8399		
Cash book balance at beginning of year	11,028,763	-
Cash book balance at end of year	193,399	11,028,763
Bank statement balance at beginning of year	11,028,763	-
Bank statement balance at end of year	193,399	11,028,763
ABSA Bank Limited - De Aar Branch - Call Deposit Number 924 344 9513		
Cash book balance at beginning of year	4,847	4,838
Cash book balance at end of year	-	4,847
Bank statement balance at beginning of year	4,847	4,838
Bank statement balance at end of year	-	4,847
ABSA Bank Limited - De Aar Branch - Call Deposit Number 929 243 7371	-	-
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year		
ABSA Bank Limited - De Aar Branch - Call Deposit Number 928 888 5566	-	-
Cash book balance at beginning of year	1,096	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	1,096	-
Bank statement balance at end of year		
ABSA Bank Limited - De Aar Branch - Call Deposit Number 928 694 3847	-	-
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year		

An amount of R478 043 (2013: R13 239 309) is attributable to Unspent Conditional Grants.

Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.

4.3 Cash and Cash Equivalents

Cash Floats and Advances	-	-
Other Cash Equivalents	-	-
Total Cash on hand in Cash Floats, Advances and Equivalents	**-**	**-**

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

	2014 R	2013 R

4. CASH AND CASH EQUIVALENTS (continued)

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

5. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	17,054	29,061
Operating Lease Revenue recorded	-	-
Operating Lease Revenue effected	(7,436)	(12,007)
Total Operating Lease Receivables	**9,618**	**17,054**
Less: Amounts due for settlement within 12 months (Current Portion)	(9,618)	(12,007)
Operating Lease Assets due for settlement after 12 months (Non-current Portion)	**-**	**5,046**

5.1 Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property owned by the municipality with lease terms of between 3 to 5 (2013: 3 to 5) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the municipality from its investment property, all of which is leased out under operating leases, amounted to R52 218 (2013: R115 722). Direct operating expenses arising on the investment property in the period amounted to R0 (2013: R0).

5.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	9,618	7,436
2 to 5 years	-	9,618
More than 5 years	-	-
Total Operating Lease Arrangements	**9,618**	**17,054**

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R7 436 (2013: decrease of R12 007) in current year income.

The following payments have been recognised for Rental Income and Repairs and Maintenance Expense in the Statement of Financial Performance:

Rental Income	52,218	115,722
Repairs and Maintenance	-	-

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

6. PROPERTY, PLANT AND EQUIPMENT

2014

Reconciliation of Carrying Value

Description	Land	Buildings	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 30 June 2013	**110,200**	**9,720,106**	**487,031**	**914,664**	**399,047**	**1,349,230**	**801,411**	**13,781,688**
Cost	110,200	13,812,066	1,166,062	2,014,385	1,012,363	1,816,880	2,025,044	21,957,000
- *Completed Assets*	*110,200*	*13,812,066*	*1,166,062*	*2,014,385*	*1,012,363*	*1,816,880*	*2,025,044*	*21,957,000*
- *Under Construction*	-	-	-	-	-	-	-	-
Correction of error (Note 42)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	(5,030)	(5,606)	(4,840)	-	-	(15,476)
Accumulated Depreciation:	-	(4,091,960)	(674,001)	(1,094,115)	(608,476)	(467,650)	(1,223,633)	(8,159,835)
- *Cost*	-	*(4,091,960)*	*(674,001)*	*(1,094,115)*	*(608,476)*	*(467,650)*	*(1,223,633)*	*(8,159,835)*
- *Revaluation*	-	-	-	-	-	-	-	-
Acquisitions	-	-	83,469	66,268	45,143	-	359,649	554,529
Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	790,842	-	-	-	-	-	790,842
- *Cost*	-	*790,842*	-	-	-	-	-	*790,842*
Additions	-	*790,842*	-	-	-	-	-	*790,842*
Transfer in	-	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation:	-	(861,609)	(166,205)	(259,595)	(138,906)	(102,430)	(537,860)	(2,066,605)
- *Based on Cost*	-	*(861,609)*	*(166,205)*	*(259,595)*	*(138,906)*	*(102,430)*	*(537,860)*	*(2,066,605)*
- *Based on Revaluation*	-	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	(15,756)	(3,462)	-	-	(19,217)
- Cost	-	-	-	(42,507)	(17,146)	-	-	(59,653)
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	26,751	13,684	-	-	40,436
- *Based on Cost*	-	-	-	*26,751*	*13,684*	-	-	*40,436*
- *Based on Revaluation*	-	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-	-
Carrying values at 30 June 2014	**110,200**	**9,649,338**	**404,295**	**705,582**	**301,822**	**1,246,800**	**623,201**	**13,041,237**
Cost	110,200	14,602,908	1,249,532	2,038,147	1,040,359	1,816,880	2,384,693	23,242,718
- *Completed Assets*	*110,200*	*13,812,066*	*1,249,532*	*2,038,147*	*1,040,359*	*1,816,880*	*2,384,693*	*22,451,876*
- *Under Construction*	-	*790,842*	-	-	-	-	-	*790,842*
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	(5,030)	(5,606)	(4,840)	-	-	(15,476)
Accumulated Depreciation:	-	(4,953,569)	(840,207)	(1,326,959)	(733,698)	(570,080)	(1,761,492)	(10,186,005)
- *Cost*	-	*(4,953,569)*	*(840,207)*	*(1,326,959)*	*(733,698)*	*(570,080)*	*(1,761,492)*	*(10,186,005)*
- *Revaluation*	-	-	-	-	-	-	-	-

2013

Reconciliation of Carrying Value

Description	Land	Buildings	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 30 June 2012	**110,200**	**10,581,715**	**452,684**	**1,174,729**	**547,634**	**1,451,660**	**1,270,138**	**15,588,761**
Cost	110,200	13,812,066	976,827	2,014,385	1,008,459	1,816,880	2,025,044	21,763,860
- *Completed Assets*	*110,200*	*13,812,066*	*976,827*	*2,014,385*	*1,008,459*	*1,816,880*	*2,025,044*	*21,763,860*
- *Under Construction*	-	-	-	-	-	-	-	-
Correction of error (Note 42)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	-	(3,230,351)	(524,142)	(839,656)	(460,825)	(365,220)	(754,906)	(6,175,100)
- *Cost*	-	*(3,230,351)*	*(524,142)*	*(839,656)*	*(460,825)*	*(365,220)*	*(754,906)*	*(6,175,100)*
- *Revaluation*	-	-	-	-	-	-	-	-
Acquisitions	-	-	192,116	-	3,904	-	-	196,020
Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	-	-	-	-	-	-
- *Cost*	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation:	-	(861,609)	(151,642)	(254,459)	(147,651)	(102,430)	(468,727)	(1,986,519)
- *Based on Cost*	-	*(861,609)*	*(151,642)*	*(254,459)*	*(147,651)*	*(102,430)*	*(468,727)*	*(1,986,519)*
- *Based on Revaluation*	-	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	(1,098)	-	-	-	-	(1,098)
- Cost	-	-	(2,881)	-	-	-	-	(2,881)
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	1,783	-	-	-	-	1,783
- *Based on Cost*	-	-	*1,783*	-	-	-	-	*1,783*
- *Based on Revaluation*	-	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	(5,030)	(5,606)	(4,840)	-	-	(15,476)
Capital under Construction - Completed	-	-	-	-	-	-	-	-
Carrying values at 30 June 2013	**110,200**	**9,720,106**	**487,031**	**914,664**	**399,047**	**1,349,230**	**801,411**	**13,781,688**
Cost	110,200	13,812,066	1,166,062	2,014,385	1,012,363	1,816,880	2,025,044	21,957,000
- *Completed Assets*	*110,200*	*13,812,066*	*1,166,062*	*2,014,385*	*1,012,363*	*1,816,880*	*2,025,044*	*21,957,000*
- *Under Construction*	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	(5,030)	(5,606)	(4,840)	-	-	(15,476)
Accumulated Depreciation:	-	(4,091,960)	(674,001)	(1,094,115)	(608,476)	(467,650)	(1,223,633)	(8,159,835)
- *Cost*	-	*(4,091,960)*	*(674,001)*	*(1,094,115)*	*(608,476)*	*(467,650)*	*(1,223,633)*	*(8,159,835)*
- *Revaluation*	-	-	-	-	-	-	-	-

The leased Property, Plant and Equipment is secured as set out in Note 17.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

	2014 R	2013 R

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

6.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

6.3 Assets pledged as security

The municipality's obligations under Finance Leases (see Note 17) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

6.4 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R0 (2013: R15 477) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 23.

The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:

Other Assets: Furniture and Fittings	-	5,606
Other Assets: Computer Equipment	-	5,030
Other Assets: Office Equipment	-	4,840
Total Impairment of Property, Plant and Equipment	**-**	**15,476**

The impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.

The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The asset has been fully impaired as it became totally redundant and idle, and therefore had a fair value of R0.

6.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

There was no change (2013: R0) in the estimated useful life of various assets of the municipality for the financial year.

6.6 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

	2014 R	2013 R

7. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	**60,272**	**122,046**

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 1 July 2013	**122,046**	**122,046**
Cost	397,692	397,692
Accumulated Amortisation	(275,645)	(275,645)
Accumulated Impairment	-	-
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(61,774)	(61,774)
Purchased	(61,774)	(61,774)
Impairment Losses Recognised	-	-
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
At Accumulated Impairment	-	-
Carrying values at 30 June 2014	**60,272**	**60,272**
Cost	397,692	397,692
Accumulated Amortisation	(337,420)	(337,420)
Accumulated Impairment Losses	-	-

	Computer Software	Total
Carrying values at 1 July 2012	**152,390**	**152,390**
Cost	368,295	368,295
Accumulated Amortisation	(215,905)	(215,905)
Accumulated Impairment	-	-
Acquisitions:	29,397	29,397
Purchased	29,397	29,397
Amortisation:	(59,740)	(59,740)
Purchased	(59,740)	(59,740)
Impairment Losses Recognised	-	-
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
At Accumulated Impairment	-	-
Carrying values at 30 June 2013	**122,046**	**122,046**
Cost	397,692	397,692
Accumulated Amortisation	(275,645)	(275,645)
Accumulated Impairment Losses	-	-

The amortisation expense has been included in the line item Depreciation and Amortisation in the Statement of Financial Performance (see Note 22).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

The following restrictions apply to Intangible Assets:

- Financial Software:
  (i) The system is non-assignable, non-transferable, and the municipality has no exclusive rights to use the system.
  (ii) The system may be used on only one database at any one time.
  (iii) The municipality, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.
  (iv) The municipality has no intellectual property rights to the system.

	2014 R	2013 R

7. INTANGIBLE ASSETS (continued)

Refer to Appendix "B" for more detail on Intangible Assets.

7.1 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

8. INVESTMENT PROPERTY

At Fair Value	**2,636,700**	**2,636,700**
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	**2,636,700**	**2,636,700**
Fair Value	2,636,700	2,636,700
Accumulated Impairment Losses	-	-
Acquisitions during the Year	-	-
Net Gains / (Losses) from Fair Value Adjustments		
Impairment Losses during the Year	-	-
Disposals during the Year:	-	-
At Fair Value	-	-
At Accumulated Impairment	-	-
Reversal of Impairment Losses during the Year	-	-
Carrying values at 30 June	**2,636,700**	**2,636,700**
Fair Value	2,636,700	2,636,700
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	**2,636,700**	**2,636,700**
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	163,715	155,323

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

8.1 Investment Property carried at Fair Value

The municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

The following assumptions were used:		
Discount Rate	7.80%	6.74%

8.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

9. PROVISIONS

Current Portion of Post-retirement Medical Aid Benefits Liability	1,091,124	-
Current Portion of Ex-Gratia Benefits Liability	23,400	-
Total Provisions	**1,114,524**	**-**

	2014 R	2013 R

9. PROVISIONS (continued)

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Ex-Gratia R	Post-retirement R
2014		
Balance at beginning of year	-	-
Transfer from non-current	23,400	1,091,124
Contributions to provision	-	-
Expenditure incurred	-	-
Balance at end of year	**23,400**	**1,091,124**

	Ex-Gratia R	Post-retirement R
2013		
Balance at beginning of year	-	-
Transfer from non-current	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
Reduction due to re-measurement	-	-
Balance at end of year	**-**	**-**

10. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	1,124,146	502,113
Payments Received In Advance	10,493	19,559
Advances from Road Department	240,750	240,750
Other Creditors	3,356,489	13,108,435
Accrued Leave	1,212,552	1,222,911
Settlement Provision	1,517,622	-
Total Payables	**7,462,052**	**15,093,767**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

	2014 R	2013 R
11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
11.1 Conditional Grants from Government	**1,189,131**	**2,694,161**
National Government Grants	9,700	9,701
Provincial Government Grants	1,179,430	2,684,459
Local Government Grants	-	-
Other Spheres of Government	-	-
11.2 Other Conditional Receipts	**-**	**-**
Public Contributions	-	-
Total Conditional Grants and Receipts	**1,189,131**	**2,694,161**

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 15 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

12. LONG-TERM LIABILITIES		
Annuity Loans	2,462,750	2,980,212
Finance Lease Liabilities	331,877	477,056
Sub-total	2,794,627	3,457,268
Less: Current Portion transferred to Current Liabilities:-	(621,858)	(994,029)
Annuity Loans	(571,159)	(516,973)
Finance Lease Liabilities	(50,699)	(477,056)
Total Long-term Liabilities (Neither past due, nor impaired)	**2,172,769**	**2,463,239**

12.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 2 to 11 (2013: 1 to 12) years and at interest rates varying from 9.25% to 16.50% (2013: 9.25% to 16.50%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to IT Equipment with lease terms of 5 (2013: 5) years. The effective interest rate on Finance Leases is between 13.21% and 48.13% (2013: 13.21 to 48.13%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

12.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:
Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2013: 5 years). The effective interest rate on Finance Leases is between 14.73% and 21.53% (2013: 13.21% and 48.13%).

The municipality has options to purchase the Property, Plant and Equipment for a nominal amount at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

	2014 R	2013 R

12. LONG-TERM LIABILITIES (continued)

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2014 R	2013 R	2014 R	2013 R
Amounts payable under finance leases:				
Within one year	332,408	676,723	50,699	477,056
In the second to fifth years, inclusive	487,209	-	281,178	-
Over five years	-	-	-	-
	819,617	676,723	331,877	477,056
Less: Future Finance Obligations	(487,740)	(199,667)	-	-
Present Value of Minimum Lease Obligations	**331,877**	**477,056**	**331,877**	**477,056**
Less: Amounts due for settlement within 12 months (Current Portion)			(50,699)	(477,056)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			**281,178**	**-**

The municipality has finance lease agreements for the following significant classes of assets:
- IT Equipment

Included in these classes are the following significant leases:

(i) Dell Servers and IT Equipment	R 0	R 0
- Instalments are payable quarterly in advance		
- Average period outstanding	24 months	10 months
- Average effective interest rate	4.81%	2.87%
- Average quarterly instalment	R 74,371	R 57,381

12.3 Breach of Loan Agreement

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

13. EMPLOYEE BENEFITS

Post-retirement Health Care Benefits Liability	15,584,738	16,114,922
Ex-Gratia Benefits Liability	107,201	177,294
Total Employee Benefits	**15,691,939**	**16,292,216**
Less: Amounts due for settlement within 12 months (Current Portion)	(1,114,524)	-
Employee Benefits due for settlement after 12 months (Non-current Portion)	**14,577,415**	**16,292,216**

13.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	16,114,922	15,667,778
Current-service Cost	364,273	338,328
Increase due to Discounting	1,193,190	1,161,864
Benefits Paid	(1,131,801)	(1,053,048)
Actuarial (Gains) /Losses	(955,846)	-
Balance at end of Year	15,584,738	16,114,922
Transfer to Current Provisions	(1,091,124)	-
Total Post-retirement Health Care Benefits Liabilitiy	**14,493,614**	**16,114,922**

	2014 R	2013 R

13. EMPLOYEE BENEFITS (continued)

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	28	30
Continuation Members (Retirees, widowers and orphans)	31	36
Total Members	**59**	**66**

The liability in respect of past service has been estimated as follows:

In-service Members	4,051,949	3,373,130
Continuation Members	11,532,789	12,741,792
Total Liability	**15,584,738**	**16,114,922**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Hosmed
- Keyhealth
- LA Health
- Prosano
- Samwumed

The Current-service Cost for the year ending 30 June 2014 is estimated to be R364 273, whereas the cost for the ensuing year is estimated to be R437 078 (2013: R338 328 and R364 273 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.51%	7.67%
Health Care Cost Inflation Rate	7.90%	7.48%
Net Effective Discount Rate	0.56%	0.18%
Expected Retirement Age - Females	37	35
Expected Retirement Age - Males	41	40
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	16,114,922	15,667,778
Current service costs	364,273	338,328
Interest cost	1,193,190	1,161,864
Benefits paid	(1,131,801)	(1,053,048)
Actuarial losses / (gains)	(955,846)	-
Total Recognised Benefit Liability	**15,584,738**	**16,114,922**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	15,584,738	16,114,922
	15,584,738	16,114,922
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	15,584,738	16,114,922
Unrecognised Past-service Cost	-	-
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	**15,584,738**	**16,114,922**

	2014 R	2013 R

13. EMPLOYEE BENEFITS (continued)

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	364,273	338,328
Interest cost	1,193,190	1,161,864
Actuarial losses / (gains)	(955,846)	-
Benefits paid	(1,131,801)	(1,053,048)
Total Post-retirement Benefit included in Employee Related Costs (Note 20)	**(530,184)**	**447,144**

The history of experienced adjustments is as follows:

	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	15,584,738	16,114,922	15,667,777	17,309,106
Deficit	**15,584,738**	**16,114,922**	**15,667,777**	**17,309,106**
Experienced adjustments on Plan Liabilities	16,540,584	16,114,922	15,667,777	17,309,106

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	1,810,300	2,308,185
Effect on the defined benefit obligation	1,845,000	1,741,800
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1,354,700	1,776,679
Effect on the defined benefit obligation	1,547,000	1,306,200

Refer to Note 40, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

13.2 Ex-Gratia Benefits Liability

Balance at beginning of year	177,294	188,311
Contributions to provision	-	-
Increase due to discounting	11,531	12,383
Benefits Paid	(25,740)	(23,400)
Expenditure incurred	-	-
Actuarial (Gains) /Losses	(55,884)	-
	107,201	177,294
Transfer to current provisions	(23,400)	-
Balance at end of year	**83,801**	**177,294**

The municipality provides certain ex-gratia (pension) benefits by funding the pension fund contributions of qualifying retired members of the municipality. According to the rules of the Pension Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such pension fund on retirement, in which case the municipality is liable for a certain portion of the pension fund membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Ex-Gratia Benefit Plan are made up as follows:

Continuation Members (Retirees, widowers and orphans)	4	4
	4	**4**

	2014 R	2013 R

13. EMPLOYEE BENEFITS (continued)

The liability in respect of past service has been estimated as follows:

Continuation Members	107,201	177,294
Total liability	**107,201**	**177,294**

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.30%	7.00%
Pension Increase Rate	0.00%	10.00%
Net Effective Discount Rate	7.30%	-2.72%
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	177,294	188,311
Interest cost	11,531	12,383
Benefits paid	(25,740)	(23,400)
Actuarial losses / (gains)	(55,884)	-
Present Value of Fund Obligation at the end of the Year	**107,201**	**177,294**
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	**107,201**	**177,294**

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	107,201	177,294
	107,201	177,294
Present value of unfunded obligations	-	-
Deficit	107,201	177,294
Unrecognised Past-service Cost	-	-
Total Benefit Liability	**107,201**	**177,294**

The amounts recognised in the Statement of Financial Performance are as follows:

Interest cost	11,531	12,383
Actuarial losses / (gains)	(55,884)	-
Benefits paid	(25,740)	(23,400)
Total Post-retirement Benefit included in Employee Related Costs (Note 20)	**(70,093)**	**(11,017)**

The history of experienced adjustments is as follows:	**2014** **R**	**2013** **R**	**2012** **R**	**2011** **R**
Present Value of Defined Benefit Obligation	107,201	177,294	188,311	205,983
Deficit	**107,201**	**177,294**	**188,311**	**205,983**
Experienced adjustments on Plan Liabilities	163,085	177,294	188,311	205,983

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	12,166	13,065
Effect on the defined benefit obligation	103,658	186,470
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	10,938	11,747
Effect on the defined benefit obligation	110,998	168,809

	2014 R	2013 R

13. EMPLOYEE BENEFITS (continued)

Refer to Note 40 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

14. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	466,525	512,680
Accumulated Surplus / (Deficit) due to the results of Operations	(7,080,922)	(5,458,091)
Total Accumulated Surplus	**(6,614,397)**	**(4,945,410)**

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

15. GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	29,375,000	26,571,000
Provincial Health Subsidies	100,000	-
Provincial Housing Accreditation	1,000,000	150,000
Operational Grants	**30,475,000**	**26,721,000**
Conditional Grants	12,209,749	9,167,727
National Government: Finance Management Grant	1,250,000	1,250,000
National Government: Municipal Infrastructure Grant	-	-
National Government: Municipal Systems Improvement Grant	890,000	1,200,000
Provincial Government: Electrification Project	4,999,102	-
Provincial Government: Fire Fighting Equipment	300,000	499,371
National Government: Expanded Public Works Programme	1,000,000	999,650
Provincial Government: Expanded Public Works Programme (Renosterberg)	1,120,557	113,722
Provincial Government: Department Sports, Arts and Culture	1,853,512	3,748,340
Provincial Government: Department of Transport	796,578	1,356,644
Provincial Government: NEAR Grant	-	-
Total Government Grants and Subsidies	**42,684,749**	**35,888,727**
Government Grants and Subsidies:		
Conditional Grants - Capital	790,842	-
Conditional Grants - Operational	11,418,907	9,167,727
Unconditional Grants - Capital	-	-
Unconditional Grants - Operational	30,475,000	26,721,000
Total Government Grants and Subsidies	**42,684,749**	**35,888,727**
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	41,893,907	35,888,727
Conditions met - transferred to Revenue: Capital Expenses	790,842	-
Total Transfers	**42,684,749**	**35,888,727**

Operational Grants:

15.1 National: Equitable Share

Balance unspent at beginning of year	(9,932)	-
Current year receipts	(29,375,000)	(26,571,000)
Interest allocated	(179,701)	(95,772)
Conditions met - transferred to Revenue: Operating Expenses	29,375,000	26,571,000
Interest transferred	178,149	85,840
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 12)	**(11,484)**	**(9,932)**

The municipality's Equitable Share allocation of the Local Government Sphere's share of revenue raised nationally. No funds were withheld.

	2014 R	2013 R

15. GOVERNMENT GRANTS AND SUBSIDIES (continued)

15.2 Provincial: Health Subsidies

Balance unspent at beginning of year	-	-
Current year receipts	(100,000)	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	100,000	-
Interest transferred	-	-
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 12)	**-**	**-**

To promote and support HIV Aids programmes within the municipal area. No funds were withheld.

15.3 Provincial: Housing Accreditation

Balance unspent at beginning of year	(1,224)	-
Current year receipts	(1,000,000)	(150,000)
Interest allocated	(3,360)	(3,725)
Conditions met - transferred to Revenue: Operating Expenses	1,000,000	150,000
Interest transferred	3,183	2,501
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 12)	**(1,402)**	**(1,224)**

This grant was allocated to improve capacity within the administration of the municipality in respect to the Housing Department. All conditions attached to the grant were met. No funds have been withheld.

Conditional Grants:

15.4 National: FMG Grant

Balance unspent at beginning of year	(1,363)	-
Current year receipts	(1,250,000)	(1,250,000)
Interest allocated	(20,007)	(12,970)
Conditions met - transferred to Revenue: Operating Expenses	1,250,000	1,250,000
Interest transferred	19,881	11,607
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 12)	**(1,489)**	**(1,363)**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.

15.5 National: MIG Funds

Balance unspent at beginning of year	(9,719)	(9,702)
Interest allocated	(251)	(213)
Interest transferred	301	196
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 12)	**(9,669)**	**(9,719)**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of infrastructure as part of the upgrading of previously disadvantaged areas. No funds have been withheld.

15.6 National: MSIG Funds

Balance unspent at beginning of year	(1,313)	-
Current year receipts	(890,000)	(1,200,000)
Interest allocated	(11,678)	(12,384)
Conditions met - transferred to Revenue: Operating Expenses	890,000	1,200,000
Interest transferred	11,693	11,070
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 12)	**(1,298)**	**(1,313)**

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. All conditions attached to the grant were met. No funds have been withheld.

	2014 R	2013 R

15. GOVERNMENT GRANTS AND SUBSIDIES (continued)

15.7 National: Expanded Public Works Programme

Balance unspent at beginning of year	(0)	-
Current year receipts	(1,000,000)	(1,000,000)
Interest allocated	-	(9,857)
Conditions met - transferred to Revenue: Operating Expenses	209,158	999,650
Conditions met - transferred to Revenue: Capital Expenses	790,842	-
Interest transferred	-	9,857
Other transfers	-	350
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 12)	**-**	**(0)**

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP Guidelines. All conditions attached to the grant were met. No funds have been withheld.

15.8 Provincial: Expanded Public Works Programme (Renosterberg)

Balance unspent at beginning of year	(1,177)	-
Current year receipts	(1,161,375)	(25,480)
Interest allocated	(13,923)	-
Conditions met - transferred to Revenue: Operating Expenses	1,120,557	113,722
Interest transferred	13,206	-
Transferred to Receivables at yearend	-	(88,242)
Other transfers	-	(1,177)
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 12)	**(42,712)**	**(1,177)**

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP Guidelines. All conditions attached to the grant were met. No funds have been withheld.

15.9 Provincial: Electrification Project

Balance unspent at beginning of year	-	-
Current year receipts	(5,000,000)	-
Interest allocated	(57,437)	-
Conditions met - transferred to Revenue: Operating Expenses	4,999,102	-
Interest transferred	-	-
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 12)	**(58,335)**	**-**

This grant was allocated to improve and upgrade the electrity infrastructure and enhance the electricity capacity within the municipality. All conditions attached to the grant were met. No funds have been withheld.

15.10 Provincial: Fire Fighting Equipment

Balance unspent at beginning of year	(6,776)	(117,146)
Current year receipts	(300,000)	(389,000)
Interest allocated	(211)	(1,202)
Conditions met - transferred to Revenue: Operating Expenses	300,000	499,371
Interest transferred	-	-
Other transfer	211	1,202
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 12)	**(6,986)**	**(6,776)**

To enhance municipalities capacity to deal with fire hazards. All conditions attached to the grant were met. No funds have been withheld.

15.11 Provincial: Department of Sports, Arts and Culture

Balance unspent at beginning of year	(2,081,649)	(5,823,838)
Interest allocated	(42,568)	(109,151)
Conditions met - transferred to Revenue: Operating Expenses	1,853,512	3,748,340
Interest transferred	63,964	103,000
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 12)	**(206,740)**	**(2,081,649)**

To upgrade or build new sporting facilities at the municipalities. All conditions attached to the grant were met. No funds have been withheld.

	2014 R	2013 R

15. GOVERNMENT GRANTS AND SUBSIDIES (continued)

15.12 Provincial: Department of Roads

Balance unspent at beginning of year	-	-
Current year receipts	(796,578)	(1,356,644)
Conditions met - transferred to Revenue: Operating Expenses	796,578	1,356,644
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 12)	**-**	**-**

The Roads Grant was allocated for the payment of the medical aid ex gratia for personnel that is and has been on pension. No funds have been withheld.

15.13 Provincial: NEAR

Balance unspent at beginning of year	(601,000)	-
Current year receipts	(306,776)	(601,000)
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 12)	**(907,776)**	**(601,000)**

Funds from this grant is used to repair infrastructure that supports the provision of basic services and environmental health services for six months after the disaster. No funds have been withheld.

15.14 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2013), government grant funding is expected to increase over the forthcoming three financial years.

16. PUBLIC CONTRIBUTIONS AND DONATIONS

Other Donations	50,000	79,500
Total Public Contributions and Donations	**50,000**	**79,500**

17. RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue:		
- Investment Property	163,715	155,323
- Other Rental Revenue	-	-
Total Rental of Facilities and Equipment	**163,715**	**155,323**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

18. INTEREST EARNED

External Investments:		
Bank Account	12,383	15,346
Investments	712,375	490,890
Other Deposits	12,088	-
	736,846	**506,237**
Interest - Current Account	12,383	15,346
Interest - Term Deposits	15,401	18,434
Interest - Call Deposits	696,974	472,456
Interest - Other	12,088	-
Interest - Variable Rate Instruments	**736,846**	**506,237**
Total Interest Earned	**736,846**	**506,237**

	2014 R	2013 R

18. INTEREST EARNED (continued)

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	724,758	506,237
Loans and Receivables	12,088	-
	736,846	506,237
Interest Earned on Non-financial Assets	-	-
	736,846	**506,237**

Revenue recognised in respect of Financial Assets designated as at "fair value" is disclosed in Note 37.

19. OTHER REVENUE

Money Various	29,950	45,531
SETA Claims	132,174	371,923
Administration Cost	358,069	50,000
Insurance Claims Received	45,315	41,049
Income - Vostersdam	-	700
Telephone Deductions	39,801	491
Travel & Subsistance Paid Back	-	740
Income from Investments	551,820	303,704
Repairs Recovered	36,061	-
Training Income	26,056	-
Contribution from Municipalities	3,600,000	1,818,399
Total Other Revenue	**4,819,247**	**2,632,537**

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 16 to 19, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.

20. EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	18,347,812	16,924,418
Basic Salaries and Wages	16,493,761	15,636,487
Contribution to Leave Fund	186,565	40,233
Service Bonuses	1,667,486	1,247,697
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	3,291,543	2,760,162
Medical	573,011	495,049
Pension	2,599,634	2,156,981
Industrial Council Levy	5,956	1,860
UIF	112,942	106,272
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1,502,889	1,617,804
Allowances	1,502,889	1,617,804
Housing Benefits and Allowances	102,494	70,220
Overtime Payments	150,865	103,794
Learnerships	141,000	44,112
Defined Benefit Plan Expense:	445,025	1,512,575
Current Service Cost	364,273	338,328
Interest Cost	1,204,721	1,174,247
Net Actuarial (gains)/losses recognised	(1,123,969)	-
Total Employee Related Costs	**23,981,628**	**23,033,085**

No advances were made to employees.

Included in Employee Related Costs is an amount of R2 599 634 (2013: R2 139 441) paid by the municipality to Defined Contribution Plans at rates specified by the rules of the plans.

	2014 R	2013 R
20. EMPLOYEE RELATED COSTS (continued)		
Remuneration of Section 57 Employees:		
Remuneration of the Municipal Manager		
Annual Remuneration	816,631	690,060
Performance Bonus	50,422	170,606
Car Allowance	128,870	160,028
Company Contributions to UIF, Medical and Pension Funds	89,074	124,790
Other Allowance	5,950	7,700
Total	**1,090,948**	**1,153,183**
Remuneration of the Chief Finance Officer		
Annual Remuneration	732,325	695,548
Performance Bonus	62,465	130,809
Car Allowance	148,834	96,669
Company Contributions to UIF, Medical and Pension Funds	133,679	125,958
Other Allowance	6,000	6,000
Total	**1,083,304**	**1,054,984**
Remuneration of the Chief Internal Auditor		
Annual Remuneration	359,592	328,212
Performance Bonus	29,728	27,283
Car Allowance	122,300	84,000
Company Contributions to UIF, Medical and Pension Funds	84,832	73,304
Other Allowance	9,936	4,200
Total	**606,389**	**516,999**
Remuneration of the Manager Infrastructure		
Annual Remuneration	303,000	561,138
Performance Bonus	50,500	120,756
Car Allowance	40,889	83,161
Company Contributions to UIF, Medical and Pension Funds	55,470	102,029
Other Allowance	140,449	6,000
Total	**590,308**	**873,085**
The post has been vacant since January 2014.		
Remuneration of the Planner PIMS		
Annual Remuneration	392,990	722,201
Performance Bonus	29,383	120,122
Car Allowance	86,717	133,113
Company Contributions to UIF, Medical and Pension Funds	64,552	1,713
Other Allowance	3,500	6,000
Total	**577,141**	**983,149**
Remuneration of the Chief Corporate Services		
Annual Remuneration	668,525	604,986
Performance Bonus	108,600	114,300
Car Allowance	157,163	89,964
Company Contributions to UIF, Medical and Pension Funds	119,149	109,881
Other Allowance	6,000	6,000
Total	**1,059,437**	**925,131**
No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.		
21. REMUNERATION OF COUNCILLORS		
Executive Mayor	689,826	645,548
Speaker	553,061	516,439
Members of Mayorial Committee	1,353,255	1,313,148
Councillors	739,474	702,583
Total Councillors' Remuneration	**3,335,616**	**3,177,718**
Remuneration of Councillors:		

	2014 R	2013 R

21. REMUNERATION OF COUNCILLORS (continued)

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor has use of a Council owned vehicle for official duties.

22. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	2,066,605	1,986,519
Amortisation: Intangible Assets	61,774	59,740
Total Depreciation and Amortisation	**2,128,379**	**2,046,259**

23. IMPAIRMENT LOSSES

23.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:	-	15,477
Property, Plant and Equipment	-	15,477
Impairment Losses Reversed:	-	-
Property, Plant and Equipment	-	-
	-	**15,477**

23.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:	461,287	63,734
Receivables from Exchange Transactions	461,287	63,734
Impairment Losses Reversed:	-	-
Receivables from Exchange Transactions	-	-
	461,287	**63,734**

23.3 Bad Debts Written-off

Bad Debts Written-off:	5,334	-
Receivables from Exchange Transactions	5,334	-
	5,334	**-**
Total Impairment Losses	**466,621**	**79,210**

24. FINANCE COSTS

Bank Overdraft	2,593	2,776
Finance Leases	391,944	346,067
Settlement	616,743	-
Loans and Payables at amortised cost	271,585	320,278
Total Interest Paid on External Borrowings	**1,282,866**	**669,120**

The weighted average capitalisation rate on funds borrowed generally is 5.27% per annum (2013: 5.24% per annum).

	2014 R	2013 R
25. GRANTS AND SUBSIDIES PAID		
EPWP Renosterberg	1,035,281	22,351
EPWP Projects	89,751	1,022,639
Project Nala	-	105,000
Sport Facilities	1,671,429	2,645,995
District Wide Programs	385,227	1,044,653
Electrification Project	4,415,879	-
L E D	37,619	7,780
Total Grants and Subsidies	**7,635,186**	**4,848,419**
26. GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertisements	120,363	110,511
Consulting Cost	302,905	694,131
Bank Cost	77,882	50,096
Protective clothing	21,228	3,184
Training	290,000	552,472
Audit Cost	2,456,444	2,042,383
Fire Extinguishers	2,100	-
Printing & Stationary	354,580	313,252
Sundries	14,147	17,239
Bursaries	18,070	20,305
PKS Newslatter	115,526	126,233
Property Tax	49,762	42,200
Electricity and Water	81,414	150,268
GRAP Implementing	-	85,604
Office Expenditure	183,700	229,771
Congress Cost	14,750	6,000
SETA Payments	240,100	225,100
Membership Fees	775,939	828,648
Audit Committee	20,943	6,877
Travel and Subsistance	2,220,609	1,724,295
Fuel and Oil	614,965	495,936
Cellphone & Telephone	445,878	394,379
Entertainment : Councillors	32,317	15,051
Public Entertainment	174,135	171,498
Postage	1,780	6,603
Legal Cost	205,144	1,541
Strategic Planning	-	22,500
Water Samples	38,668	7,288
Sewerage	267	9,544
Insurance Claims	42,737	1,303
Fire Fighting Equipment for Municipalities	341,514	557,871
Insurance General	338,034	284,477
Leanerships	-	367,158
Workmen's Compensation Commissioner	202,868	127,438
Settlement Provision	900,879	-
Total General Expenses	**10,699,644**	**9,691,153**
26.1 Settlement Provision	**900,879**	**-**
Settlement Provision	900,879	-

On the 28th of February 2014 the case Pixley-ka-Seme Disctrict Municipality // Muscle Construction (Pty) Ltd was finalised with the judgement in favour of the plantiff. The Municipality was ordered to pay the R900 879. Failure to do so will result in an interest rate at 9% per annum from 6th September 2008 until date of payment. It was settled that the capital amount would be paid in full at 31 July 2014, and the interest portion (as disclosed in Note 24) in 3 monthly equal instalments thereafter.

No other extra-ordinary expenses were incurred.

	2014 R	2013 R
27. OTHER GAINS AND LOSSES		
Change in Fair Value of Investment Property	-	-
Net Other Gains and Losses	**-**	**-**

No other gains or losses have been recognised in respect of Loans and Receivables or Held-to-Maturity Investments, other than as disclosed in Note 13 and Impairment Losses recognised/reversed in respect of Trade Receivables (see Notes 4, 5 and 31).

28. CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 30 June 2014 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

GRAP 25: Employee Benefits

Defined benefit liabilities for Post-employment Health Care Benefits and Long Service Allowances have been recognised in the Annual Financial Statements of the municipality as at 30 June 2014 in terms of GRAP 25. GRAP 26 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 25 and IAS 19 are similar.

29. CORRECTION OF ERROR

Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2013 and 30 June 2014. Details of the adjustments are as follows:

29.1 Corrections made to Assets

The prior year figures of Assets have been restated to correct errors and correctly classify the nature of Assets of the municipality.

The effect of the Correction of Error is as follows:

	2012/2013 Published	Errors	Movement Reclassification	Total	2012/2013 Restated
Receivables from Exchange Transactions	260,630	114,612	-	114,612	375,243
VAT Receivable	155,714	19,777	-	19,777	175,492
Cash and Cash Equivalents	15,466,105	17,675	-	17,675	15,483,779
Current Portion of Operating Lease Asset	7,436	-	4,571	4,571	12,007
Property, Plant and Equipment	13,711,612	70,077	-	70,077	13,781,688
Intangible Assets	122,046	-	-	-	122,046
Investment Property	1,840,600	796,100	-	796,100	2,636,700
Operating Lease Asset	9,618	-	(4,571)	(4,571)	5,046
	31,573,761	**1,018,241**	**-**	**1,018,241**	**32,592,001**

29.2 Corrections made to Liabilities

The prior year figures of Liabilities have been restated to correct errors and correctly classify the nature of Liabilities of the municipality.

The effect of the Correction of Error is as follows:

	2012/2013 Published	Errors	Movement Reclassification	Total	2012/2013 Restated
Provisions	(1,222,911)	-	1,222,911	1,222,911	-
Payables from Exchange Transactions	(13,703,333)	(167,523)	(1,222,911)	(1,390,434)	(15,093,767)
Unspent Conditional Grants and Receipts	(2,712,937)	18,777	-	18,777	(2,694,161)
Current Portion of Long-term Liabilities	(994,029)	-	-	-	(994,029)
Long-term Liabilities	(2,463,239)	-	-	-	(2,463,239)
Employee Benefits	(16,292,217)	-	-	-	(16,292,216)
	(37,388,666)	**(148,746)**	**-**	**(148,746)**	**(37,537,412)**

	2014 R	2013 R

29.3 Corrections made to Net Assets

The prior year figures of Net Assets have been restated to correct errors and correctly classify the nature of Liabilities of the municipality. The errors corrected includes the cumulative effect of those affecting the Statement of Financial Performance.

	2012/2013 Published	Errors	Movement Reclassification	Total	2012/2013 Restated
Opening Balance	1,982,089	-	-	-	1,982,090
Correction of Error	-	(2,138,354)	17,540	(2,120,814)	(2,120,814)
Surplus (Deficit)	3,759,410	1,268,860	(17,540)	1,251,320	5,010,729
Appropriations for the Year	(96,750)	-	-	-	(96,750)
Interest Received	(18,434)	-	-	-	(18,434)
Property, Plant and Equipment Purchased	189,758	-	(1,167)	(1,167)	188,590
Donated/contributed PPE	(1,167)	-	1,167	1,167	-
	5,814,905	**(869,494)**	**-**	**(869,494)**	**4,945,410**

29.4 Corrections made to Revenue

The prior year figures of Revenue have been restated to correct errors and correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	2012/2013 Published	Errors	Movement Reclassification	Total	2012/2013 Restated
Government Grants and Subsidies Received	(35,775,005)	(113,722)	-	(113,722)	(35,888,727)
Public Contributions and Donations	(79,500)	-	-	-	(79,500)
Rental of Facilities and Equipment	(155,323)	-	-	-	(155,323)
Interest Earned - External Investments	(487,460)	(18,777)	-	(18,777)	(506,237)
Other Revenue	(3,849,287)	-	1,216,750	1,216,750	(2,632,537)
Other Gains and Losses	-	1,216,750	(1,216,750)	-	-
	(40,346,575)	**1,084,251**	**-**	**1,084,251**	**(39,262,324)**

29.5 Corrections made to Expenditure

The prior year figures of Revenue have been restated to correct errors and correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	2012/2013 Published	Errors	Movement Reclassification	Total	2012/2013 Restated
Employee Related Costs	21,888,090	1,345	1,143,650	1,144,995	23,033,085
Remuneration of Councillors	3,177,719	-	-	-	3,177,718
Bad Debts Written Off	63,734	-	(63,734)	(63,734)	-
Provision for Leave and Bad Debts	40,233	-	(40,233)	(40,233)	-
Contracted Services	822,464	-	(516,579)	(516,579)	305,885
Depreciation and Amortisation	2,042,430	3,829	-	3,829	2,046,259
Impairment Losses	15,477	-	63,734	63,734	79,210
Repairs and Maintenance	419,814	1,291	-	1,291	421,105
Finance Costs	1,497,301	-	(828,180)	(828,180)	669,120
Grants and Subsidies Paid	4,788,991	59,428	-	59,428	4,848,419
General Expenses	9,331,095	118,715	241,343	360,058	9,691,153
Loss on Disposal of PPE	1,097	-	-	-	1,097
	44,088,445	**184,609**	**-**	**184,609**	**44,273,053**

The detail regarding the nature of the errors corrected, are as follows:

	2014 R	2013 R

29. CORRECTION OF ERROR (continued)

29.6 Fair value adjustment not previously recognised retrospectively

During the 2013 the accounting policy in respect to Investment Properties were changed. The adjustment was however not made retrospectively, as required by GRAP 3. Management has subsequently corrected this error.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	-	(1,216,750)
Statement of Financial Performance:		
(Increase) / decrease in Other Gains and Losses	-	1,216,750
	-	-

29.7 Provision for Workmen's Compensation Commissioner overstated

During the 2013 audit is was reported that the provision made for the 'unpaid' Compensation Commissioner may be inaccurate. Management implemented procedures where all outstanding returns and were submitted and all outstanding amounts paid. It was found that the provision made was overstated and this as subsequently been corrected.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
(Increase) / decrease in Trade Payables from Exchange Transactions	79,073	79,073
(Increase) / decrease in Accumulated Surplus	(79,073)	(206,511)
Statement of Financial Performance:		
Increase / (decrease) in General Expenses	-	127,438
	-	-

29.8 Prior year misposting to Accumulated Surplus corrected

During the preparation of the 2012/2013 annual financial statements, the difference of R17 540 between the actual benefits paid and the benefits paid per the actuarial report was incorrectly posted to the accumulated surplus. This error has been retrospectively corrected.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	-	(17,540)
Statement of Financial Performance:		
Increase / (decrease) in Employee Related Costs	-	17,540
	-	-

	2014 R	2013 R

29. CORRECTION OF ERROR (continued)

29.9 Cheques pertaining to 2013 expenditure cancelled in 2014

Cheque 35193 to the amount of R5 265 (excluding VAT) was cancelled during the current financial year. Management made the adjustment retrospectively as this related to expenditure incurred in the 2013 financial year.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
Increase / (decrease) in Cash and Cash Equivalents	5,265	5,265
(Increase) / decrease in Accumulated Surplus	(5,265)	-
Statement of Financial Performance:		
Increase / (decrease) in General Expenses	-	(5,265)
	-	-

29.10 Prior year errors incorrectly corrected

During the clearing of the prior year Trade Payables in the current year, it was found that the required corrections were incorrectly made. This resulted in the prior year expenditure being overstated. Management has subsequently corrected the misstatement.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	86,226	172,453
(Increase) / decrease in Trade Payables from Exchange Transactions	(86,226)	(86,226)
Statement of Financial Performance:		
Increase / (decrease) in General Expenses	-	(86,226)
	-	-

29.11 Cheques pertaining to 2013 expenditure cancelled in 2014

Cheques amounting to R7 392 were cancelled during the current financial year. Management made the adjustment retrospectively as this related to expenditure incurred in the 2013 financial year.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
Increase / (decrease) in Cash and Cash Equivalents	7,392	7,392
(Increase) / decrease in Accumulated Surplus	(7,392)	-
Statement of Financial Performance:		
Increase / (decrease) in Employee Related Costs	-	(7,392)
	-	-

29.12 Cheques pertaining to 2013 expenditure cancelled in 2014

Cheque 34832 to the amount of R5 018 was cancelled during the current financial year. Management made the adjustment retrospectively as this related to expenditure incurred in the 2013 financial year.

	2014 R	2013 R

29. CORRECTION OF ERROR (continued)

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
Increase / (decrease) in Cash and Cash Equivalents	5,018	5,018
(Increase) / decrease in Accumulated Surplus	(5,018)	-
Statement of Financial Performance:		
Increase / (decrease) in Employee Related Costs	-	(5,018)
	-	**-**

29.13 2013 UIF refund received in 2014

During the 2014 financial year, a refund was received for UIF in respect of councillors. 50% of the funds partained to the 2013 financial year and the necessaey retrospective adjustment was made.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
Increase / (decrease) in Receivables from Exchange Transactions	3,785	3,785
(Increase) / decrease in Accumulated Surplus	(3,785)	-
Statement of Financial Performance:		
Increase / (decrease) in Employee Related Costs	-	(3,785)
	-	**-**

29.14 Recognition (derecognition) of Land & Buildings

Management investigated all properties registered (or not) in the name of the Municipality and identified a number of deviations. These errors were corrected retrospectively.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
Increase / (decrease) in Property, Plant and Equipment	70,077	70,077
(Increase) / decrease in Accumulated Surplus	(70,077)	(73,906)
Statement of Financial Performance:		
Increase / (decrease) in Depreciation and Amortisation	-	3,829
	-	**-**

29.15 Revenue recognised as expenditure was incurred

During the 2013 financial year, the Municipality incurred expenditure amounting to R113 722.35 (EPWP = R 25 480.35 & Sport Facility = R88 242.00). The revenue was originally recognised (to satisfy the accural basis of accounting concept, as the defintion of revenue and the applicable conditions were met - GRAP 1 requirement), but was requested to reverse the revenue, although the expenditure side was still recognised. This was subsequently corrected.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(113,722)	**-**
Increase / (decrease) in Receivables from Exchange Transactions	113,722	113,722
Statement of Financial Performance:		
(Increase) / decrease in Grants and Subsidies Received		(113,722)
	-	**-**

	2014 R	2013 R

29. CORRECTION OF ERROR (continued)

29.16 Investment property controlled by municipality

During the current financial year it was discovered that a property, situated in Richmond is controlled by the municipality and the benefits are received through rental income which results in the ownership criteria being met. This was subsequently corrected.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(796,100)	(796,100)
Increase / (decrease) in Investment Property	796,100	796,100
	-	-

29.17 Interest on investment incorrectly recognised

The municipality has been recognising interest earned on investments, which were specifically made for grant funding, as an increase in the particular grant's unspent portion. This was incorrect as this income should be recognised as own income in terms of the accounting framework. This has been retrospectively adjusted.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(18,777)	-
(Increase) / decrease in Unspent Conditional Grants and Receipts	18,777	18,777
Statement of Financial Performance:		
(Increase) / decrease in Interest Received	-	(18,777)
	-	-

29.18 Prior year expenditure incorrectly accounted for in current year

It has been discovered that certain creditor payments (and the relating expenses) which were incurred during the previous financial year, was incorrectly expensed and accounted for in the current year. The necesaary correction was made retrospectively.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	140,593	-
Increase / decrease in VAT Receivable	19,777	19,777
(Increase) / decrease in Trade Payables from Exchange Transactions	(160,370)	(160,370)
Statement of Financial Performance:		
Increase / (decrease) in Repairs and Maintenance	-	1,396
Increase / (decrease) in Grants and Subsidies Paid	-	59,428
Increase / (decrease) in General Expenses	-	79,768
	-	-

29.19 Prior year allowance not corrected in correct financial year

An allowance paid in the prior year was incorrectly reversed in the current year. Management has subsequently and retrospectively corrected this.

	2014 R	2013 R

29. CORRECTION OF ERROR (continued)

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	2,895	-
Increase / (decrease) in Receivables from Exchange Transactions	(2,895)	(2,895)
Statement of Financial Performance:		
Increase / (decrease) in Repairs and Maintenance		(105)
Increase / (decrease) in General Expenses		3,000
	-	**-**

29.20 Restatement of Commitments

Management restructured it's commitment register, which resulted in an adjustment made to the amounts disclosed as disclosed in the 2012/2013 annual financial statements. The restatement is as follows:

The effect of the Correction of Error is as follows:

	2012/2013 Published	Correction made	2012/2013 Restated
Commitments	12,235,870	21,755,057	33,990,926

30. CHANGE IN ACCOUNTING ESTIMATES

There was no change in the estimated useful life of various assets of the municipality for the financial year.

31. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	(1,668,987)	(5,010,729)
Adjustment for:		
Correction of Prior Year Errors	-	34,059
Movement in Capital and Reserves	-	(73,406)
Depreciation and Amortisation	2,128,379	2,046,259
Impairment Losses on Property, Plant and Equipment	-	15,477
Losses / (Gains) on Disposal of Property, Plant and Equipment	19,217	1,097
Contribution to Retirement Benefit Liabilities	(600,277)	(832,901)
Contribution to Impairment Provision	461,827	-
Bad Debts Recovered	-	-
Bad Debts Written-off	4,794	-
Operating surplus before working capital changes	**344,954**	**(3,820,144)**
Decrease/(Increase) in Receivables from Exchange Transactions	(1,218,971)	(127,016)
Decrease/(Increase) in VAT Receivable	111,435	454,592
Decrease/(Increase) in Operating Lease Assets	7,436	12,007
Increase/(Decrease) in Payables from Exchange Transactions	(7,631,715)	13,529,711
Increase/(Decrease) in Conditional Grants and Receipts	(1,505,030)	(3,256,526)
Cash generated by / (utilised in) Operations	**(9,891,891)**	**6,792,625**

32. NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the 2014 financial year, the municipality acquired R359 649 of equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.

33. FINANCING FACILITIES

Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	-	-
- Amount unused	1,500,000	1,500,000
	1,500,000	**1,500,000**

	2014 R	2013 R

34. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 12)	2,794,627	3,457,268
Used to finance Property, Plant and Equipment - at cost	(2,794,627)	(3,457,268)
Cash invested for Repayment of Long-term Liabilities	**-**	**-**

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

35. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

35.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under

Reconciliation of Unauthorised Expenditure:		
Opening balance	661,417	-
Unauthorised Expenditure current year	1,728,559	661,417
Transferred to Debtor to be Recovered	(169,937)	
Approved by Council or condoned	-	-
Unauthorised Expenditure awaiting authorisation	**2,220,039**	**661,417**

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	*To be condoned by Council*
Finance: During the current financial year, the municipality received judgement agiant it (previously disclosed as a contingent liability) in a court case. This resulted in a capital amount (R900 879) and 'back dated' interest (R616 743) to be paid. These amounts were not budgeted for and therefore constitutes Unauthorised Expenditure.	
Bonus: During the current financial year, the municipality changed their policy in respect to the timeframe in which bonusses are paid (from November annualy to the specific employee's birthday month). This resulted in an authorised portion being paid as the amount was found not correctly proportioned to the applicable period. The overpayment was calculated to be R169 937 (before any possible impairments).	
Donations: During the current financial year, the municipality made donations totalling R41 000 which was not specifically budgeted for.	

35.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	471,355	382,536
Fruitless and Wasteful Expenditure current year	229,422	88,820
Transferred to Debtor to be Recovered	(6,502)	-
Condoned or written off by Council	-	-
Fruitless and Wasteful Expenditure awaiting condonement	**694,275**	**471,355**

Incident	Disciplinary Steps / Criminal Proceedings
The Municipality incurred the following fruitless and wasteful expenditure:	*To be condoned by Council*
Interest on overdue accounts: R211 213	
Overpayment of accounts: R10 937	
Amount not yet recoeverd from ex-employee: R6 502	
Excess VAT paid: R770	

	2014 R	2013 R

35. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)

35.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:		
Opening balance	31,476,246	26,895,773
Irregular Expenditure current year	23,092,404	4,580,473
Condoned or written off by Council	-	-
Irregular Expenditure awaiting condonement	**54,568,650**	**31,476,246**

Incident	Disciplinary Steps / Criminal Proceedings
The Municipality incurred the following irregular expenditure:	*To be condoned by Council*
Non-compliance based on Contracts awarded: R6 467 057	
Original Tax Clearance Certificates not provided: R15 345 245	
Declaration of Interest not provided: R467 123	
Preferential Procurement not followed: R751 437	
Number of required Quotations not obtained: R61 543	

36. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	462,500	808,807
Amount Paid - current year	(462,500)	(808,807)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	**-**	**-**

36.2 Audit Fees

Opening Balance	(1,607,020)	-
Current year audit fee	(2,311,025)	(2,021,485)
Current year interest	(203,940)	(88,820)
Amount Paid - current year	-	503,285
Amount Paid - previous years	1,082,653	-
Balance Unpaid (included in Creditors)	**(3,039,331)**	**(1,607,020)**

36.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 3. All VAT returns have been submitted by The due date throughout the year.

36.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	4,685,651	4,625,891
Amount Paid - current year	(4,685,651)	(4,625,891)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	**-**	**-**

36.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	3,173,016	2,652,030
Amount Paid - current year	(3,173,016)	(2,652,030)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	**-**	**-**

36.6 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The municipality has developed a supply chain management policy which was only approved by Council in September 2005.
No known matters existed at reporting date.

	2014 R	2013 R

37. COMMITMENTS FOR EXPENDITURE

37.1 Capital Commitments

The municipality had no capital commitments at year-end.

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-	**19,134,384**	**33,990,926**
Other	19,134,384	33,990,926
- Approved but Not Yet Contracted for:-	**-**	**-**
Other	-	-
Total Capital Commitments	**19,134,384**	**33,990,926**
This expenditure will be financed from:		
Government Grants	19,134,384	33,990,926
Own Resources	-	-
	19,134,384	**33,990,926**

37.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 12.

37.3 Other Commitments

The municipality has entered into a contract with Ducharme Consulting Services during 2013/14 financial year for the compilation of Annual Financial Statements and audit assistance, which will give rise to a total charge of R455 502.

38. FINANCIAL INSTRUMENTS

38.1 Classification

FINANCIAL ASSETS:
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification		
Receivables from Exchange Transactions			
Other Receivables	Amortised cost	1,127,592	375,243
Cash and Cash Equivalents			
Call Deposits	Amortised cost	2,811,238	14,897,531
Term Deposits	Amortised cost	459,393	512,680
Bank Balances	Amortised cost	313,244	73,567
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Other Debtors	1,127,592	375,243
Cash and Cash Equivalents	Call Deposits	2,811,238	14,897,531
Cash and Cash Equivalents	Bank Balances	313,244	73,567
Cash and Cash Equivalents	Term Deposits	459,393	512,680
		4,711,467	**15,859,021**

FINANCIAL LIABILITIES:
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

Financial Liabilities	Classification		
Long-term Liabilities			
Annuity Loans	Amortised cost	1,891,591	2,463,239
Finance Lease Liabilities	Amortised cost	382,576	954,113

		2014 R	2013 R
38. FINANCIAL INSTRUMENTS (continued)			
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	1,124,146	502,113
Payments Received In Advance	Amortised cost	10,493	19,559
Advances from Road Department	Amortised cost	240,750	240,750
Other Creditors	Amortised cost	3,356,489	13,108,435
Accrued Leave	Amortised cost	1,212,552	1,222,911
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	571,159	516,973
Finance Lease Liabilities	Amortised cost	50,699	477,056
		8,840,455	19,505,148
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	1,891,591	2,463,239
Long-term Liabilities	Finance Lease Liabilities	382,576	954,113
Payables from Exchange Transactions	Trade Creditors	1,124,146	502,113
Payables from Exchange Transactions	Payments Received In Advance	10,493	19,559
Payables from Exchange Transactions	Advances from Road Department	240,750	240,750
Payables from Exchange Transactions	Other Creditors	3,356,489	13,108,435
Payables from Exchange Transactions	Accrued Leave	1,212,552	1,222,911
Current Portion of Long-term Liabilities	Annuity Loans	571,159	516,973
Current Portion of Long-term Liabilities	Finance Lease Liabilities	50,699	477,056
		8,840,455	**19,505,148**

38.2 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Accumulated Surplus as disclosed in Note 14 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95.00%, reducing 90.00%. This aggressive ratio is as a result of the development challenges faced by the municipality. The rate of borrowing is well below market related rates.

The municipality's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The municipality has a target gearing ratio of 20-25% determined as the proportion of net debt to equity. Based on the committee's recommendations, the municipality expects to increase its gearing ratio closer to 25% through the issue of new debt.

The gearing ratio at the year-end was as follows:

Debt	2,896,025	4,411,381
Cash and Cash Equivalents	3,583,875	15,483,779
Net Debt	6,479,900	19,895,160
Equity	6,614,397	4,945,410
Net debt to equity ratio	**97.97%**	**402.30%**

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

	2014	2013
	R	R

38. FINANCIAL INSTRUMENTS (continued)

38.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

38.4 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:
- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk
Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk
Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk
Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 38.7 and 38.8 to the Annual Financial Statements.

38.5 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note 38.5.1 below) and interest rates (see Note 38.6 below).

Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.
The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 38.6 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

	2014	2013
	R	R

38. FINANCIAL INSTRUMENTS (continued)

38.5.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

38.5.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis
The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Notes 39.8 and 39.9 below.

38.6 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents
The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables
Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	2014 R	2013 R

38. FINANCIAL INSTRUMENTS (continued)

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Trade Receivables from Exchange Transactions	1,588,336	375,243
Bank, Cash and Cash Equivalents	3,583,875	15,483,779
Maximum Credit and Interest Risk Exposure	**5,172,211**	**15,859,021**

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Other Debtors:		
- Other not Classified	100.00%	100.00%
Total Credit Risk	**100.00%**	**100.00%**

Bank and Cash Balances		
ABSA Bank Ltd	3,583,875	15,483,779
Total Bank and Cash Balances	**3,583,875**	**15,483,779**

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from Exchange Transactions		
Group 1	1,127,592	375,243
Group 2	-	-
Group 3	-	-

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

38. FINANCIAL INSTRUMENTS (Continued)

38.7 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 45 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. A credit line overdraft facility of R1 500 000 is available and is unsecured. Interest payable is linked to the prime interest rate.
The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2014								
Non-interest Bearing			7,462,052	7,462,052	-	-	-	-
- Payables from Exchange transactions	10	0.00%	7,462,052	7,462,052	-	-	-	-
			-					
Fixed Interest Rate Instruments			2,957,419	394,249	394,249	788,698	1,380,222	-
- DBSA	12	9.86%	2,957,419	394,249	394,249	788,698	1,380,222	-
			10,419,471	**7,856,302**	**394,249**	**788,698**	**1,380,222**	**-**
30 June 2013								
Non-interest Bearing			15,093,767	15,093,767	-	-	-	-
- Payables from Exchange transactions	10	0.00%	15,093,767	15,093,767	-	-	-	-
Fixed Interest Rate Instruments			3,745,917	394,249	394,249	788,498	2,168,920	-
- DBSA	12	9.86%	3,745,917	394,249	394,249	788,498	2,168,920	-
			3,745,917	**394,249**	**394,249**	**788,498**	**2,168,920**	**-**

The municipality has access to financing facilities, the total unused amount which is R1 500 000 (2013: R1 500 000), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased charges and the increased use of unsecured bank loan facilities.

38.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

	2014	2013
	R	R

39. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to the Cape Joint Retirement Fund.

This fund is governed by the Pension Funds Act.

The afore-mentioned fund is a multi-employer plan and is subject to a annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the retirement fund, due to the following reasons:-
(i) The assets of the fund is held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plan is to make the specified contributions. Where councillors / employees leave the plan prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R2 559 634 represents contributions payable to this plan by the municipality at rates specified in the rules of the plan. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Retirement Fund:
The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R31,425 (30 June 2012: R(7,980)) million, with funding levels of 100.2% and 100.0% (30 June 2012: 99.9% and 100.0%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9.00%) and the municipalities (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

40. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

40.1 Interest of Related Parties

No relationships have been identified.

40.2 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

40.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No such loans existed at yearend.

40.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Managment, to the Annual Financial Statements.

40.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

	2014 R	2013 R

41. CONTINGENT LIABILITIES

41.1 Court Proceedings:

(i) Claim for outstanding money:
A claim was received from contractor for the payment of outstanding money for the rehabilitation of the multipurpose sports field in Lukhanyisweni (Phillipstown) and Sunrise (Victoria West). The contractor claims that the money outstaning amounts to R6 566 191. The matter has been submitted to the municipality's attorneys. No progress has been made to date and the outcome of the matter is still uncertain.

41.2 Other Possible Liabilities:

(i) Foreign residents in employment:
The municipality currently have employees that are defined as foreigners as per the Immigrant Act, 2002 (Act No. 13 of 2002). The municipality may be liable for a fine or imprisonment not exceeding one year, if found guilty of knowingly employing a foreigner.

Management is currently investigating the situation to determine the possible impact such non-compliance may have on the municipality.

42. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

43. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not received any in-kind donations and assistance.

44. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

45. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2014.

46. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 28) and Prior Period Errors (Note 29).

47. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 29 May 2013 the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality’s Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality’s operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) Certain key financial ratios, such as liquidity, cost coverage, debtors’ collection rates and creditors’ payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

	2014	2013
	R	R

48. NON-COMPLIANCE WITH TO THE MUNICIPAL FINANCE MANAGEMENT ACT

Non-compliance to the following sections of chapters of the MFMA :

Chapter	Section	Description of non-compliance
Chapter 4: Municipal Budgets	32	The required reports were not submitted to all relevant parties and/or did not contain all required information.
Chapter 8: Responsibilities of Municipal Officials (*Financial Management*)	65	Not all payments were made within the 30 days from the invoice date.
Chapter 8: Responsibilities of Municipal Officials (*Financial Administration*)	79	The required committees were not established, nor were any council assessments conducted to ensure that committees are working effectively.
Chapter 9: Municipal Budget and Treasury Offices	83	Human Resource Report addressing the compliance with minimum competency requirement was not prepared and submitted to the Treasury.
Chapter 14: General Treasury Matters	166	The Audit Committee did not meet the required number of times and did not function throughout the financial year.

APPENDIX A
PIXLEY-KA-SEME DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2013	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2014
	R				R	R	R	R
ANNUITY LOANS								
DBSA	4,925,202	9.86%	102 850	2018/03/31	2,980,212	-	(517,462)	2,462,750
Total Annuity Loans	**4,925,202**				**2,980,212**	**-**	**(517,462)**	**2,462,750**
CAPITAL LEASE LIABILITIES								
Canon	1,213,404	Various	Various	2016/11/01	477,056	359,649	(504,829)	331,877
Total Capital Lease Liabilities	**1,213,404**				**477,056**	**359,649**	**(504,829)**	**331,877**
TOTAL EXTERNAL LOANS	**6,138,606**				**3,457,268**	**359,649**	**(1,022,291)**	**2,794,627**

ANNUITY LOANS:

DBSA:

Annuity Loans are repaid over periods varying from 2 to 11 (2013: 1 to 12) years and at interest rates varying are 9.86% (2013: 9.86%) per annum. Annuity Loans are not secured.

CAPITAL LEASE LIABILITIES:

Canon:

Finance Lease Liabilities relates to IT Equipment with lease terms of 5 (2013: 5) years. The effective interest rate on Finance Leases is between 13.21% and 48.13% (2013: 13.21 to 48.13%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

Note: The rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

APPENDIX B
PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Land	110,200.00	-	-	-	-	-	110,200.00	-	-	-	-	-	110,200.00
Buildings	13,812,065.79	-	-	790,841.81	-	-	14,602,907.60	4,091,959.98	861,609.41	-	-	4,953,569.39	9,649,338.21
	13,922,265.79	**-**	**-**	**790,841.81**	**-**	**-**	**14,713,107.60**	**4,091,959.98**	**861,609.41**	**-**	**-**	**4,953,569.39**	**9,759,538.21**
Leased Assets													
Office Equipment	2,025,043.89	359,649.12	-	-	-	-	2,384,693.01	1,223,632.82	537,859.59	-	-	1,761,492.40	623,200.61
	2,025,043.89	**359,649.12**	**-**	**-**	**-**	**-**	**2,384,693.01**	**1,223,632.82**	**537,859.59**	**-**	**-**	**1,761,492.40**	**623,200.61**
Other Assets													
Emergency Equipment													
Emergency Equipment	156,082.86	-	-	-	-	-	156,082.86	87,799.48	18,916.66	-	-	106,716.13	49,366.73
Vehicles													
Motor Vehicles	1,178,760.09	-	-	-	-	-	1,178,760.09	244,637.81	72,369.59	-	-	317,007.40	861,752.69
Trucks	627,230.17	-	-	-	-	-	627,230.17	218,832.76	29,827.10	-	-	248,659.86	378,570.31
Trailers	10,890.00	-	-	-	-	-	10,890.00	4,179.21	233.03	-	-	4,412.24	6,477.76
Furniture And Fittings													
Tables and desks	732,320.66	-	-	-	-	-	732,320.66	406,128.34	93,061.50	-	-	499,189.84	233,130.82
Furniture And Fittings	832,112.10	-	-	-	-	-	832,112.10	471,734.82	103,605.77	-	-	575,340.59	256,771.50
Chairs	449,952.01	66,268.42	-	-	-	(42,506.80)	473,713.63	221,857.49	62,927.70	-	(26,751.26)	258,033.93	215,679.70
Office Equipment													
Electronic Equipment	274,204.31	11,548.20	-	-	-	(208.60)	285,543.91	163,549.86	35,551.92	-	(167.83)	198,933.96	86,609.95
Air Conditioner	349,441.81	20,052.63	-	-	-	(13,266.22)	356,228.22	230,900.68	51,091.45	-	(10,563.00)	271,429.13	84,799.10
Computer Hardware	1,166,062.46	83,469.19	-	-	-	-	1,249,531.65	679,031.95	166,205.48	-	-	845,237.43	404,294.21
Other Office Equipment	185,633.45	12,857.67	-	-	-	(3,671.26)	194,819.85	98,753.35	30,264.20	-	(2,953.66)	126,063.89	68,755.97
Plant And Equipment													
Compressor/Generator	47,000.00	684.21	-	-	-	-	47,684.21	32,312.56	3,081.86	-	-	35,394.42	12,289.79
	6,009,689.90	**194,880.32**	**-**	**-**	**-**	**(59,652.88)**	**6,144,917.34**	**2,859,718.31**	**667,136.26**	**-**	**(40,435.75)**	**3,486,418.82**	**2,658,498.53**
Total	**21,956,999.58**	**554,529.44**	**-**	**790,841.81**	**-**	**(59,652.88)**	**23,242,717.95**	**8,175,311.10**	**2,066,605.25**	**-**	**(40,435.75)**	**10,201,480.61**	**13,041,237.35**

APPENDIX B
PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014
PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2014

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Investment Properties													
Land And Buildings	1,840,600	-	-	-	-	-	1,840,600	-	-	-	-	-	1,840,600
	1,840,600	**-**	**-**	**-**	**-**	**-**	**1,840,600**	**-**	**-**	**-**	**-**	**-**	**1,840,600**

PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2014

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets													
Computer Software	397,692	-	-	-	-	-	397,692	275,645	61,774	-	-	337,420	60,272
	397,692	**-**	**-**	**-**	**-**	**-**	**397,692**	**275,645**	**61,774.11**	**-**	**-**	**337,420**	**60,272**
Total Asset Register	**24,195,291**	**554,529**	**-**	**790,842**	**-**	**(59,653)**	**25,481,010**	**8,450,957**	**2,128,379**	**-**	**(40,436)**	**10,538,900**	**14,942,109**

APPENDIX C
PIXLEY-KA-SEME DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2014

Description	Cost / Revaluation			Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Budget And Treasury Office	21,957,000	554,529	23,242,718	8,159,834	2,066,605	-	(40,436)	10,201,481	13,041,237
Total	**21,957,000**	**554,529**	**23,242,718**	**8,159,834**	**2,066,605**	**-**	**(40,436)**	**10,201,481**	**13,041,237**

APPENDIX D
PIXLEY-KA-SEME DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

2012/2013 Actual Income	2012/2013 Actual Expenditure	2012/2013 Surplus/ (Deficit)	Description	2013/2014 Actual Income	2013/2014 Actual Expenditure	2013/2014 Surplus/ (Deficit)
R	R	R		R	R	R
155,323	6,543,559	(6,388,236)	Administration	163,715	6,927,001	(6,763,286)
18,987,779	11,453,168	7,534,610	Finance	20,668,611	13,474,844	7,193,767
50,000	2,766,192	(2,716,192)	Development and Infrastructure	-	2,090,118	(2,090,118)
-	1,063,446	(1,063,446)	Environmental Health	-	1,563,667	(1,563,667)
150,000	1,862,520	(1,712,520)	Housing	1,000,000	2,414,108	(1,414,108)
925,381	2,604,455	(1,679,074)	Internal Audit	-	3,489,790	(3,489,790)
2,242,000	7,184,202	(4,942,202)	Council Expenses	2,825,000	7,604,880	(4,779,880)
740	1,840,749	(1,840,009)	Municipal Manager	-	1,216,499	(1,216,499)
13,507,712	5,168,697	8,339,016	I D P	18,971,171	7,906,771	11,064,400
1,193,389	2,319,861	(1,126,472)	Protection Services	336,061	2,224,676	(1,888,615)
2,050,000	1,466,204	583,796	Shared Services	4,490,000	1,211,191	3,278,809
39,262,324	**44,273,053**	**(5,010,729)**	**Total**	**48,454,557**	**50,123,544**	**(1,668,987)**

APPENDIX E(1)
PIXLEY-KA-SEME DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/2014 Actual	2013/2014 Budget	2013/2014 Variance	2013/2014 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Government Grants and Subsidies	42,684,749	42,770,810	(86,061)	0%	
Donations Received	50,000	-	50,000	100%	R50 000 was donated by the Office of the Premier for a speficic purpose / event, which took place during the financial year. Management did not budget for this revenue and therefore the fluctuation.
Rental of Facilities and Equipment	163,715	163,715	-	0%	
Interest Earned - External investments	736,846	586,196	150,650	26%	
Other Income	4,819,247	6,061,386	(1,242,139)	-20%	The expected budgeted income for the year did not realise.
Total Revenue	**48,454,557**	**49,582,107**	**(1,127,550)**	**-2%**	
EXPENDITURE					
Employee Related Costs	23,981,628	24,134,426	(152,798)	-1%	
Remuneration of Councillors	3,335,616	3,335,617	(1)	0%	
Contracted Services	175,161	547,163	(372,002)	-68%	The municipality entered into contracts with service providers. These functions were not finalised in the 2013/2014 financial year, and will continue during the 2014/2015 financial year.
Depreciation	2,128,379	2,128,380	(1)	0%	
Impairment Losses	466,621	5,878	460,743	7838%	As explained in the 'Receivables from Exchange Transactions', the municiplaity provided for R450 000 at yearend which relates to shares services (provided to certain municipalities within the district).
Repairs and Maintenance	399,226	400,581	(1,355)	0%	
Interest Paid	1,282,866	666,131	616,735	93%	In the current financial year, the municipality received a judgement againt them (which was previously disclosed as a contingenet liability). This liability was provided for in the current year, including the accumulated effect of the finance costs.
Grants and Subsidies Paid	7,635,186	7,646,000	(10,814)	0%	
General Expenses	10,699,644	11,034,000	(334,356)	-3%	
Loss on disposal of Property, Plant and Equipment	19,217	-	19,217	100%	Management did not provide for any losses to be incurred during the disposal of Property, Plant and Equipment.
Total Expenditure	**50,123,544**	**49,898,176**	**750,170**	**2%**	
NET SURPLUS / (DEFICIT) FOR THE YEAR	**(1,668,987)**	**(316,069)**	**(1,877,720)**	**594%**	

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/2013 Actual	2012/2013 Budget	2012/2013 Variance	2012/2013 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Government Grants and Subsidies	35,888,727	42,770,810	(6,882,083)	-16%	
Donations Received	79,500	-	79,500	100%	Received an unexpected donation.
Rental of Facilities and Equipment	155,323	158,000	(2,677)	-2%	
Interest Earned - External investments	506,237	289,397	216,840	75%	Received more interest on investments then expected.
Other Income	2,632,537	1,854,881	777,656	42%	Received more income then expected.
Total Revenue	**39,262,324**	**45,073,088**	**(5,810,764)**	**-13%**	
EXPENDITURE					
Employee Related Costs	23,033,085	22,092,900	940,185	4%	
Remuneration of Councillors	3,177,718	3,136,000	41,718	1%	
Contracted Services	305,885	-	305,885	100%	
Depreciation	2,046,259	2,058,000	(11,741)	-1%	
Impairment Losses	79,210	235,000	(155,790)	-66%	Overprovision made in respect to bad debts. The comparatives were furthermore restated to include the contribution to the leave provision (R40 233) in Employee Related Costs.
Repairs and Maintenance	421,105	416,500	4,605	1%	Underprovision made. In the comparative amounts R315 457 was reclassified to Repairs and Maintenance.
Interest Paid	669,120	324,000	345,120	107%	The Interest Paid (R346 067) on the Finance Lease Liability was previously included under General Expenditure.
Grants and Subsidies Paid	4,848,419	-	4,848,419	100%	Budgeted amount included under General Expenses.
General Expenses	9,691,153	17,111,380	(7,420,227)	-43%	
Loss on disposal of Property, Plant and Equipment	1,097	-	1,097	100%	
Total Expenditure	**44,273,053**	**45,373,780**	**(1,100,727)**	**-2%**	
NET SURPLUS / (DEFICIT) FOR THE YEAR	**(5,010,729)**	**(300,692)**	**(4,710,037)**	**1566%**	

APPENDIX E(2)

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/2014 Actual	2013/2014 Under Construction	2013/2014 Total Additions	2013/2014 Budget	2013/2014 Variance	2013/2014 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	R	%	
Land & Buildings		790,842	790,842	790,850	(8)	0%	
Computer Equipment	83,469		83,469	87,561	(4,092)	-5%	
Machinery Equipment	45,143	-	45,143	-	45,143	100%	Crictical machinery equipment was purchased during the year.
Transport Assets	-	-	-	-	-	0%	
Furniture & Fittings	66,268	-	-	106,939	(106,939)	-100%	Budgeted expenditure did not realise.
Leased Assets	359,649	-	359,649	359,650	(1)	0%	
Total	**554,529**	**790,842**	**1,279,103**	**1,345,000**	**(65,897)**	**-5%**	

ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/2013 Actual	2012/2013 Under Construction	2012/2013 Total Additions	2012/2013 Budget	2012/2013 Variance	2012/2013 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	R	%	
Computer Equipment	221,513	-	221,513	161,000	60,513	38%	Bought critical computer equipment
Office Equipment	3,904	-	3,904	4,000	(96)	-2%	
Council Vehicles	-	-	-	-	-	0%	
Leased Assets	-	-	-	-	-	0%	
Total	**225,417**	**-**	**225,417**	**165,000**	**60,417**	**37%**	

APPENDIX F

PIXLEY-KA-SEME DISTRICT MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 0F 2003

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	National Treasury	12,240,000	9,792,000	7,343,000	-	7,344,000	7,344,000	7,344,000	7,343,000	-	-	-	-	N/a	Yes	N/a
Health Subsidies	Department	-	-	100,000	-	-	-	-	50,495	-	-	-	-	N/a	Yes	N/a
Housing Accreditation	Department	250,000	250,000	500,000	-	250,000	250,000	250,000	250,000	-	-	-	-	N/a	Yes	N/a
Financial Management Grant	National Treasury	1,250,000	-	-	-	312,500	312,500	312,500	312,500	-	-	-	-	N/a	Yes	N/a
Municipal Infrastructure Grant	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	N/a	Yes	N/a
Municipal Systems Improvement Gr	National Treasury	890,000	-	-	-	222,500	222,500	222,500	222,500	-	-	-	-	N/a	Yes	N/a
Expanded Public Works Programme	National Treasury	400,000	300,000	300,000	-	30,492	298,450	450,637	220,421	-	-	-	-	N/a	Yes	N/a
Expanded Public Works Programme	Department	720,000	-	441,375	-	228,860	143,860	353,460	394,377	-	-	-	-	N/a	Yes	N/a
Electrification Project	Department	-	5,000,000	-	-	-	861,040	2,343,000	1,795,062	-	-	-	-	N/a	Yes	N/a
Fire Fighting Equipment	Department	-	-	300,000	-	-	-	-	300,000	-	-	-	-	N/a	Yes	N/a
Sport Facilities	Department	-	-	-	-	348,410	338,784	796,013	370,305	-	-	-	-	N/a	Yes	N/a
Roads	Department	210,422	-	388,529	197,627	210,422	197,627	190,903	197,627	-	-	-	-	N/a	Yes	N/a
NEAR	Department	-	6,775	-	300,000	-	-	-	-	-	-	-	-	N/a	Yes	N/a
Total Grants and Subsidies Received		**15,960,422**	**15,348,775**	**9,372,904**	**497,627**	**8,947,184**	**9,968,761**	**12,263,013**	**11,456,287**	**-**	**-**	**-**	**-**			

APPENDIX G
PIXLEY-KA-SEME DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2014

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-exployment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Mayor												
JZ Lolwana	-	677,826	-	12,000	-	-	-	-	-	-	-	689,826
Speaker												
MT Kibi	-	542,261	-	107,295	-	-	-	-	-	-	-	649,556
Executive Committee												
UR Itumeleng	-	508,370	-	22,676	-	-	-	-	-	-	-	531,046
GL Nkumbi	-	12,943	-	-	-	-	-	-	-	-	-	12,943
TA Sintu	-	508,370	-	60,271	-	-	-	-	-	-	-	568,641
NS Thomas	-	12,943	-	-	-	-	-	-	-	-	-	12,943
KJ Arens	-	265,267	-	53,912	-	-	-	-	-	-	-	319,179
ME Bitterbos	-	12,943	-	-	-	-	-	-	-	-	-	12,943
WJ du Plessis	-	12,943	-	-	-	-	-	-	-	-	-	12,943
A Fritz	-	12,943	-	-	-	-	-	-	-	-	-	12,943
JH George	-	12,943	-	-	-	-	-	-	-	-	-	12,943
J Grobbelaar	-	203,348	-	-	-	-	-	-	-	-	-	203,348
DP Jason	-	12,943	-	-	-	-	-	-	-	-	-	12,943
P Louw	-	12,943	-	-	-	-	-	-	-	-	-	12,943
EL Schultz	-	203,348	-	-	-	-	-	-	-	-	-	203,348
PN Signeur	-	203,348	-	-	-	-	-	-	-	-	-	203,348
LC van Niekerk	-	12,943	-	-	-	-	-	-	-	-	-	12,943
FM van Wyk	-	12,943	-	-	-	-	-	-	-	-	-	12,943
Total for Councillors	**-**	**3,241,568**	**-**	**256,154**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,497,722**
Municipal Manager												
RE Pieterse	-	719,716	50,422	134,820	89,074	96,915	-	-	-	-	-	1,090,948
Chief Financial Officer												
BF James	-	732,325	62,465	154,834	133,679	-	-	-	-	-	-	1,083,304
Manager: Chief Internal Audit												
RA Sors	-	359,592	29,728	132,236	84,832	-	-	-	-	-	-	606,389
Manager: Infrastructure												
V Jones	-	303,000	50,500	181,338	55,470	-	-	-	-	-	-	590,308
Manager: Planner PIMS												
TS Diokpala	-	352,590	29,383	90,217	64,552	40,400	-	-	-	-	-	577,141
Manager: Chief Corporate Services												
TA Loko	-	651,600	108,600	163,163	119,149	16,925	-	-	-	-	-	1,059,437
Total for Senior Managers	**-**	**2,399,107**	**280,676**	**721,788**	**457,682**	**57,325**	**-**	**-**	**-**	**-**	**-**	**3,916,578**
Total for Management	**-**	**5,640,675**	**280,676**	**977,942**	**457,682**	**57,325**	**-**	**-**	**-**	**-**	**-**	**7,414,300**